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EDITORIAL

As We See It

Certain anomalies in the current situation are attracting considerable attention at this time. They are familiar to most of us, but it is to be feared that their significance is less well discerned or understood. Interest rates and the cost of money generally are higher than they have been since the advent of the New Deal, yet capital outlays by business are very high and have been for a good while past. And this type of expenditure bids fair to become even greater than at present. Most types of goods are now more plentiful than they have been for a good while past; orders are declining, and many enterprises are finding it the part of wisdom to reduce inventories. Yet prices continue to rise, and labor is able to obtain higher wages and from all appearances will be able to continue such a program for about as far into the future as one is able to see with any degree of clarity.

There are those, some of them with standing that demands respect, who look upon all this and related developments with equanimity if not with favor. Some of them predict that labor will continue to enjoy and to exercise its monopolistic power to increase wages and impose other restrictions which raise costs, and that accordingly we shall have a rising price level for a long time to come. This, according to some of these analysts, will strongly tend to support a high level of business, to act as a sort of built-in defense against depression, and to assure us a comfortable future. The fact that any such course of events would inevitably bring severe hardships to recipients of fixed income seems to be regarded as unimpor-

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Are We Experiencing Inflation or Prosperity?

By J. AUSTIN WHITE

J. A. White & Company, Cincinnati, Ohio

Prosperity, not inflation, is Mr. White's diagnosis of what we have had in the past few years, in pointing out that our current inflation stems from the prosperity phase of the business cycle rather than the type we should fear caused by too many dollars manufactured by the government bidding for scarce goods. The Ohio Municipal bond specialist observes goods are not scarce, money has not been manufactured in recent years, diminishing returns will check increased supply of dollars resulting from people's borrowing, and inflation will not go on indefinitely. Poses what he terms a challenging question; i. e., what makes people stop buying.

There is much loose talk about inflation today. To everyone it seems to mean one thing: rising prices, with a concomitant decline in the purchasing power of the dollar. The feeling appears to be widespread that this inflation is going on and on, and many decisions on investments (both in securities and in plant and equipment) are apparently being made on the basis of this assumption.

J. Austin White

It seems to me that a word of caution is in order.

A popular conception of inflation is "Too many dollars chasing too few goods." A part of this conception is the thought of: (1) a Federal Government pumping dollars into the monetary system; (2) a scarcity of goods; or both. Such a condition does indeed result in rising prices and a decline in the purchasing power of the dollar, and most conservative people have a fear of such a condition. But, in a period of good old-fashioned prosperity, prices also rise and the purchasing power of the dollar also declines. No one, it seems, fears prosperity. And, while apparently many people have the thought that

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Relative Value of Earnings: Retained and Distributed

By O. K. BURRELL

Professor of Business Administration, University of Oregon

Business expert's study of the relative values of "growth stock" earnings retained and distributed indicates that investors place a higher valuation on distributed earnings than on retained earnings. The sample of growth stocks used in Prof. Burrell's study is taken from the portfolios of Growth Industry Shares and Massachusetts Investors Growth Stock Fund, numbering a total of eighty stocks after certain deletions. Statistical analyses show stock in "high payout group rather consistently sold higher in relation to earnings than did the low payout group," and author concludes that the "payout ratio is the cause and the price-earnings ratio is the effect."

The last decade has witnessed the beginning of attempts to measure with as much precision as possible some of the value making factors in common stocks. It is entirely evident that these studies can never be truly scientific because value exists in the minds of men and precise measurement of all of the variables that might conceivably influence human attitudes and behavior is simply not possible. Nevertheless, significant advances have been made in more precise measurement of some of the forces that relate to common stock valuation.

O. K. Burrell

The role of the payout ratio in common stock valuation has been the subject of a significant number of inquiries. How much more in market value is generated by a dollar earned and paid out in dividends than by a dollar earned but retained in the business? Until about a decade ago it was perhaps understood that earnings distributed made a greater impact on valuation than earnings retained but it seems doubtful if very many analysts really understood how much greater is the

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PICTURES IN THIS ISSUE—Candid photographs taken at the Annual Outing of the SYNDICATS on June 28 appear on page 26.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

R. J. Reynolds Tobacco Co. "B" Stock—George D. Freeman, Security Analyst, New York City. (Page 2)

Grinnell Company — A. Richard Stern, Security Analyst, San Diego, Calif. (Page 2)

GEORGE D. FREEMAN

Security Analyst, New York City

Member N. Y. Society of Security Analysts

R. J. Reynolds Tobacco Company "B" Stock

For the past several years the investor has looked askance at the tobacco industry as successive waves of unfavorable publicity have held the average price of the cigarette manufacturing stocks to below 1946 levels although industrial stock prices in general are almost three times their then values. The immediate effect of this cancer scare on the industry has been a tremendous gain in sales of filter cigarettes, while the fortunes of individual companies have varied with their success in promoting filter brands. Reynolds in particular has benefited through the overwhelming success of "Winston," number one filter cigarette, now believed to have reached the position of fourth or fifth in sales among all brands. Further, during 1956 Reynolds' introduction of the "Salem" mentholated filter-tip has again met with success beyond reasonable expectation, and it must be remembered that Reynolds' most important brand, "Camel," is still the nation's largest selling cigarette.

George D. Freeman

At this point it is worthy to note that the filter-tip has become a more economical cigarette to produce than the regular size, due to the substitution of the cheaper filter for a portion of the tobacco and due to the desirability of less expensive tobaccos in this type of cigarette. This is emphasized by the recent action of American Tobacco and other industry leaders in increasing the price of regular and kingsize cigarettes by approximately 4% while holding a steady price on the filter type. This price increase should raise the earnings of the cigarette companies, although increasing tobacco and promotional costs may not permit the full increase to be carried through to pre-tax earnings.

With its lesser dependence on non-filter cigarettes, Reynolds will not show as great an increase per share from this price increase as the other two leading manufacturers. On the other hand, if the price of the filter type remains below that of the other types it would appear that the preference for the filter cigarette will be increased. Thus, Reynolds, already approaching the position of number one cigarette manufacturer, may soon find itself there, with the trend still strongly in its favor.

Selling at the price of 54, as of this writing at around 9 times its 1956 earnings of $5.91 per share, with strong expectations that 1957 earnings may be $1 or more higher, we find a stock, approaching industry leadership selling at 7.8 times 1957 earnings, which is the low ratio for the issue since the early twenties. The yield of 5¾% on the present dividend is not high for a cigarette company, especially in this day of soaring interest rates. It should be noted, however, that Reynolds for the last ten years has paid out somewhat more than 50% of earnings. The current rate is only 45% of earnings expectations. Hence, if our earnings estimates are realized, it would appear that a dividend increase may be forthcoming, to perhaps a $3.60 dividend rate. On this basis the yield at the present market would approach 6½%.

Going back through the years, in spite of a more than four-fold increase in sales and a capital history exceptionally free from dilution of the common equity, earnings per share have only since 1953 risen above the levels established in the early '30's. In the intervening years, between 1931 and 1944, per share earnings declined by more than 50% and dividends were reduced by exactly one-half. Since 1944, the general earnings trend has been up, especially in the last three years.

Marketwise, the stock reflected the strong earnings gains of the early 1920's, lagged notably during the '27-'29 period, then reflected stability on the down side as earnings continued to increase through 1931. From 1932 to 1936 a 50% market appreciation was experienced, far below the gain for industrials in general, but nevertheless very satisfactory in the face of indifferent earnings. Since 1936, the price has tended to follow the earnings, but again with more limited swings.

We wonder whether the ability of this issue, largely to disregard the action of the general market in both an inflating and deflating economy, may not repeat itself in the next few years. Each announcement of increasing statistical correlation between cigarette smoking and lung cancer has had less effect on the sales of cigarettes, the earnings of the companies, and the prices of their stocks. The trend to filter-tips has been accelerated and with few smokers in the younger age groups using any but the filter type it seems reasonable for this trend to continue with further benefit to Reynolds' earnings. A return to the pre-scare evaluation of cigarette stocks could result in price earnings ratios of between 12 and 15 times, even with the general market at a lower level. Therefore, with no further gain in earnings, a not wholly tenable assumption, considerable appreciation could take place in this issue. The writer suggests that this most obvious stock (listed on the New York Stock Exchange) may have been overlooked in the search for more glamorous growth issues.

A. RICHARD STERN

Security Analyst, San Diego, Calif.

Grinnell Company

Grinnell is over 106 years old. Age has not inhibited expansion which has been financed primarily by retained earnings.

Grinnell's business consists of two major components: one, a competitive business operating in the capital goods field; the other, a non-competitive service business enjoying stability and growth.

A. Richard Stern

A leader in the manufacture of fire protection equipment, Grinnell also is an important producer of pipe fittings, valves, plumbing and heating materials and other products associated with building and plant construction. Manufacturing plants are located in Cranston and Providence, R. I.; Columbia and Wrightsville Pa.; Warren, Ohio; Atlanta, Ga.; and Salisbury, N. C. Canadian plants are located at Toronto and Oshawa, Ont. The company employs about 10,000 people. Plant area approximates 2,000,000 sq. ft. of floor space.

There also have been some atomic and defense overtones to the business. In February, 1953, the company received a $230 million subcontract from the Atomic Energy Commission for the construction of a new gaseous diffusion uranium separation plant near Portsmouth, Ohio. This enabled the company to gain invaluable experience in the rapidly growing atomic field. Grinnell also developed for the U. S. Navy an adaptation of its sprinkler system that allows a naval vessel, while at sea, to decontaminate itself from an atomic spray or fallout.

The financial position is strong. Working capital equaled $43,393,000 on Dec. 31, 1956. $6.9 million of notes payable are the sole long-term debts preceding a common stock capitalization of 500,000 shares which has remained unchanged since 1929. Since 1923 stockholders have received cash dividends in every year except 1932 through 1934.

Sales, depreciation, net income (including dividends received from subsidiaries) and dividends are shown in Table I. The data emphasize the stature and growth of earnings of Grinnell.

In order to diversify itself from the fluctuations normally associated with heavy industry, the company entered the central station electric protective field. An interest was purchased in the Automatic Fire Alarm Company of Delaware which supplies automatic fire alarm and automatic sprinkler supervision in New York, Philadelphia and Boston. Later Grinnell acquired from the New York Telephone Co. all of the stock of Holmes Electric Protective Company, which furnishes central station burglar alarm and

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TABLE I

GRINNELL

(Parent Company, Not Including Operations of Central Station Subsidiaries)

Years Ending Dec. 31	Net Sales (—000)	Depreciation (—000)	Reported Net Income (—000)	Reported Net Income Per Share	Dividends Paid (Incl. Extras)
1956	$189,022	$2,957	$8,829	$17.65	$4.00
1955	163,183	2,708	8,325	16.65	3.75
1952	136,006	1,751	7,118	14.24	3.00
1949	*	1,147	6,256	12.51	2.25
1946	*	435	2,840	5.68	1.50

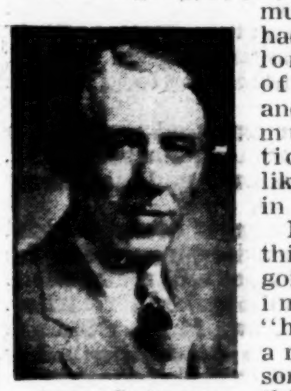
*Not reported.

Effect of the Price Level Upon Economic and Business Outlook

By ARTHUR R. UPGREN*
Dean and Director of Research
Amos Tuck School of Business Administration
Dartmouth College, N. H.

Dean Upgren, in analyzing downward price level long run trend, and the encouraging business and interest rate outlook, reports our economy is almost 100% ahead of that contemplated by President Eisenhower in 1954 with only a minor fraction due to modest inflation. The well known business economist concludes: (1) the dollar's future purchasing power will be maintained, and that current inflationary pressures will abate soon; (2) continued higher interest rate prospects are good, and (3) falling price level causes serious depressions and (though not urging inflation to avoid recessions) mildly rising prices may promote better business . . . and may be better than the old way of "Boom and Bust." Evaluates recent price inflation's occurrence under conditions of higher interest rate and increased demand for capital, and sees profitable protection in years ahead for those protected by life insurance.

To discuss inflation, one had best first say (1) what it is and how much of it there has been around in recent years; (2) how much we have had over the longer years of the past, and (3) how much inflation we are likely to have in the future.



Arthur R. Upgren

Most people think we are going to have inflation "high, wide and handsome" but I think we are going to have inflation "not so fast." Thus, if I were to answer the question: "Inflation: High, Wide and Handsome — Or Not So Fast?" my answer would be: "Not So Fast."

Inflation is best defined as "rising prices." That's all there is to its definition. Just two words:

Rising Prices.

Clearly, as prices rise, the purchasing power of the dollar falls. That is because we measure this purchasing power of the dollar by the prices of goods. It's no more difficult than that.

As to inflation in recent years, let us look into the last ten years. It is thoroughly correct to say that prices in the last ten years on one occasion have fallen more than they have risen in the latest inflationary period from March, 1956, up to date.

When we look at prices we usually consider what we call the cost of living but what is usually called "Consumers Prices" by those who calculate it. The reason it is not called the cost of living is we never know whether what we are dealing with is "the cost of living" or "the **high** cost of living" or still yet "the cost of **high** living."

In the longer run, we also like to look at wholesale prices because this is the price level at which business does business.

Reviews Price Level Changes

Reverting to recent changes in the price level, inflationary (1946-1948), deflationary (1949) and inflationary (1951 and 1956), they are these:

Up to 1948 we had the well-known rising prices of the immediate postwar period. That was when the "suppressed inflation" of the war years was released like the jack-in-the-box to fly up in our faces as an inflationary price rise. By 1948 this price movement had rather well spent itself.

Then from around August, 1948 to the low point in consumer prices in February, 1950, the cost of living fell almost precisely 4% and wholesale prices fell almost precisely 10%. Almost everybody forgets about the decline in prices. This fall in the cost of living of 4% is just slightly in excess of the inflationary rise of 3.9% in the cost of living since March, 1956. The level of wholesale prices in 1948-1950 fell considerably more than wholesale prices had risen in the last 15 months.

The one substantial rise in prices in the last 10 years was the rise of 10% in the cost of living (Consumer Prices) from the February low point for 1950 to March, 1951. In this same period, wholesale prices rose at their very peak by 17% and the level of wholesale prices in the inflationary period of the last 15 months has only passed this 1951 peak by less than half a percent. Next, I am sure very few people realize that in the full five-year period from March, 1951 to March, 1956, we as a nation enjoyed the steadiest price level experience we have ever known. Dr. Arthur F. Burns, formerly Chairman of the President's Economic Advisory Council, has emphasized this. In these five years, prices rose by only 0.8 of 1% a year and wholesale prices fell by about the like amount (as an annual average).

Consequently, if we measure the purchasing power of the dollar from March, 1951 up to date, there has been only a slight decline. If we look ahead I think

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*An address by Dean Upgren at the Annual Regional Meeting of The Aetna Life Insurance Company at Million Dollar Round Table, Greenbrier, White Sulphur Springs, July 1, 1957.

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*Mr. May's column not available this week.

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Keyboards on the Big Board

By IRA U. COBLEIGH

Enterprise Economist

Delineating some of the investment merits of a harmonically specialized enterprise—Hammond Organ Company, the first musical instrument company to have its shares listed on New York Stock Exchange.

Whenever anybody thinks of an organ (outside of a hospital) the first impression usually seems to be of a vast Gothic cathedral, and a great and stirring anthem swelling from hundreds of assorted-length pipes, whose sounds and tones are released and directed by an agile musician, creating music by virtue of phenomenal and simultaneous manual and pedal dexterity. Thus the classic organ; and the only standard type in existence till 1935 when a new musical catalyst was added — electronics! And with electronics came the Hammond Electric Organ, an amazing, and amazingly popular musical instrument which has created prestige, profitability and prosperity for today's subject company, Hammond Organ.

Ira U. Cobleigh

It didn't start out musically however. Laurens Hammond, a natural born innovator, left Cornell in 1916 with an ME degree. By 1920 he had over 90 patents to his credit, including a tickless clock, background product for Hammond Clock Co., founded in 1928. (In 1922 Mr. Hammond actually made and projected 3-dimensional pictures, but he was years ahead of the market for such.) To sell electric clocks, Mr. Hammond first had to sell power station engineers on uniform-type generators operating at 60 cycles, or else his clocks would all develop different velocities and goof in their accuracy. So tenacious and effective was Mr. Hammond that 60 cycles became an industry standard, and sometime in the early 30's, Hammond was doing nearly 75% of the electric clock business in the U. S., and producing as many as 75,000 electric clocks a week. Then competition, and a welter of conflicting patents, invaded the industry and a new long range industrial emphasis seemed indicated. In 1933 a stripped down piano with everything thrown out but the keyboard became the housing for a machine powered by a 1/100 h.p. electric motor. This motor turned a shaft with 91 humped tone wheels on it; and depending on the number of times these humps went past an electric coil, various scale tones were electronically produced, and, implemented by 8½ miles of wiring, the Hammond Electric Organ was born. It was first formally played at Radio City April 15, 1935, and 1,400 units were sold that year at a $1,250 minimum price.

From that point on, the Hammond organ was both a musical and a merchandising success and in 1937 the corporate name was changed from Hammond Clock Co. to Hammond Instrument Co. Then some traditionalists came forth to opine that because the Hammond instrument didn't have pipes, it wasn't an organ. The lawyers and the Federal Trade Commission "rassled" over this knotty question and finally the verdict was—pipes or no pipes—that Hammond is an organ and it's been so regarded ever since.

Before World War II, Hammond, in addition to its organ, had created Solovox, an electric keyboard which, attached to a piano, could duplicate the effects of such solo instruments as trumpets, clarinets, trombones, banjos and members of the violin family.

Came World War II and Hammond found it could switch from organs to militronics with a minimum of factory changeover, and Mr. Hammond's fertile genius again came into play with his development of a control system for jet bombs.

After the War, transition to civilian production was swift, and Hammond developed a new spinet organ for private homes and smaller churches, as well as the Chord organ on which persons with but slight musicianship, can play a variety of musical selections in full harmony. The Chord Organ requires only that you play an air with one finger of the right hand, and press a button with the left, that supplies an appropriate and harmonious three part chord. (The Chord Organ is popularly priced and can be acquired, $97.50 down and $27.50 per month.)

By 1953 the company name was again changed, this time to Hammond Organ Company. In that year sales exceeded $16 million and the company had attained a major status in its quite specialized field of endeavor.

This company has operated profitably in every year since 1935 and has paid cash dividends without interruption since 1937. There was a 4-for-1 split of the stock in 1937 and two 100% stock dividends since 1953, so that today there are outstanding about 1,500,000 of Hammond Organ Company common held by 3,600 stockholders.

For the fiscal year ended March 31, 1957, net earnings were $4,888,087, equal to $3.27 a share on the common, and amply justifying cash dividends of $2.30 per share distributed (in the fiscal year) to common stockholders. In the five year period April 1, 1932 through March 31, 1957, earnings increased 166%.

Today Hammond owns five plants in the Chicago area comprising 565,000 square feet of floor space and giving employment to over 1,300 persons. Hammond is the world's largest organ producer, with stockholders in all of the 48 states.

Distribution of Hammond output is achieved through 450 selected dealers from coast to coast, and its organs have been sold in more than 60 countries in the Western Hemisphere. Outside the U. S., sales are made through Hammond Organ Western Export Corp., a wholly owned subsidiary. 90% of sales are to homes and churches, with bulk of sales to private homes.

Mr. Stanley M. Sorenson, after 24 years of association with Hammond, became President in May 1955. He is not only a complete overall executive of the company but he is an eager teller of the Hammond story to investors, financial analyst societies and the general public. He takes great pride not only in the corporate prestige that Hammond has developed through the years, but in the broad acceptance of its common stock by investors, and, in particular, the listing of its shares on NYSE with trading commencing July 15, 1957. (Opening sale, 36¼.) This represents another milestone in the progress of this truly progressive company.

Granting the historic growth of Hammond, what shall we say now about its future? Well, it should gross $25 million this year and attain a new high in per share earnings. Listing on NYSE should increase the number of its stockholders considerably. About the future sales potential, the best we can do is to quote from Mr. Sorenson's recent remarks. In his opinion, the home organ market is virtually untapped with only a fraction of one percent of families in this country owning organs.

Expansion of cultural interests stemming from 3,000,000 young people attending colleges and universities each year, plus the greater leisure which our bountiful economy now affords, suggests steadily enlarged interest in music, with Hammond as a major beneficiary. Hammond should continue to make both music and money. And on that tone of optimism, we salute the larger scale trading of Hammond on NYSE.

Leonard J. Smith With Shearson, Hammill Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Leonard J. Smith has become associated with Shearson, Hammill & Co. Mr. Smith was formerly an officer of Stern, Douglass & Co., Inc. and prior thereto was with Reynolds & Co. and Francis I. du Pont & Co. in San Francisco.

Gardner Abbott Opens

SHAKER HEIGHTS, Ohio—Gardner Abbott, Jr. is engaging in a securities business from offices at 11800 Shaker Boulevard. Mr. Abbott was formerly with Prescott & Co. and Ross, Borton & Co.

F. W. Schwarz Opens

NEWARK, N. J.—Frederick W. Schwarz is conducting a securities business from offices at 606 Summer Avenue.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

A poll undertaken by America's top business leaders clearly indicates that business managers are confident that the last six months of 1957 will exceed the January 1st to July 1st business volume and provides optimistic assurances that this country is almost certain to continue on Prosperity Road and may even better its 1957 January-July record of business.

A majority of the Executives polled expect that we shall see higher sales and prices, inventories will remain unchanged, employment will continue at present levels and that profits will be higher.

The business leaders participating in this country-wide poll covered the whole field of industry, business and trade. The poll was conducted by the "New York Herald Tribune."

Department of Agriculture announced that farmers received higher prices for their products in the mid-June month. The Agriculture Department's index stood at 244 (1910-14 equals 100) for the month compared with 243 for the previous 1957 month. This year's record 244 dropped below last year's 245 mid-June figure and is the first month this year to drop below the year ago level.

Steel men believe the worst is over for 1957. Some even believe that '57 could be a record year for steel production. They are looking forward to a gradual improvement in third quarter followed by a strong push toward year-end, according to "The Iron Age," national metalworking weekly.

The mills' optimism is based on (1) an expected upsurge in automotive demand, (2) a reversal of the inventory-cutting spree, (3) continued strong demand for plates, structurals, and oil country goods, and (4) a stronger export market.

A major automaker is ordering good tonnages of new model steel for August, and another is taking old model tonnage for the same month. Steel sources say the auto companies will make about 100,000 more cars in third quarter than had been looked for earlier.

"The Iron Age" publication says these straws in the wind are prompting steel salesmen to urge buyers to place September orders early. While these suggestions are not expected to develop an all-out scramble for steel, some buyers are likely to hedge against a sudden upturn.

The metalworking weekly reports that operations in the last half of '57 probably will average around 84-85% of capacity. This is based on the expectations of leading mills that third quarter operations will average about 82%, followed by a fourth quarter pick-up to an average of over 85%.

An average output of 84.5% of capacity in last half would produce approximately 56.5 million ingot tons. This, coupled with first half output of 60.5 million, would approximately equal the record of 117.0 million tons turned out in 1955.

The pick-up in new orders for sheet and strip will show up in August, although July also was better than had been expected. One mill reports that August deliveries will be about 25% ahead of July.

Third quarter tonnages of heavy plates and structurals are on an allotment basis. The mills expect capacity operations through the rest of the year. Producers are booked to capacity on oil country seamless for the third quarter. And there will be sizable carryovers into the fourth.

Meanwhile, "The Iron Age" reports that appliance manufacturers are entering second half with low raw material inventories, including steel. Appliance people also have cut back on production to the point where output is below sales levels. If a last-half drive for business is successful, appliance makers are likely to be in the steel market for heavier tonnages of sheet and strip in fourth quarter.

The growing market for tinplate is sparking an expansion program that will add a million tons to electrolytic capacity, according to "Iron Age" weekly. New electrolytic lines and revamping of existing equipment is boosting capacity at plants of seven tinplate producers. Tinplate capacity on the last official count was 7.3 million tons a year.

Steel Operations Expected to Continue Sluggish For Next Few Weeks

Steelworks operations recovered only slightly after the Fourth of July holiday and are expected to continue sluggish for the next several weeks. Mass vacations in metalworking and steel producing plants, as well as a slackening in over-all demand, will contribute to the lethargy, "Steel" magazine reported July 15.

In the week ended July 14, output of steel for ingots and castings was at a national average of 80.5% of capacity, compared with only 12.5% in the corresponding week of last year—steelworkers' strike then held production to an average of 14.9% of capacity.

At the 80.5% rate of last week, output was 2,060,400 net tons, compared with only 307,735 tons in the comparable week last year, the weekly metalworking publication said.

The 80.5% rate represented a two-point recovery from that of the preceding holiday (Fourth of July) week.

Sharply reflecting the general slowdown is the steel production rate in New England. It was 20% of capacity in the week ended July 14. In the preceding holiday week, all of New England's steelmaking capacity was closed down.

Steel production rates in other districts in the week ended July 14: They rose 4 points to 89% of capacity at Pittsburgh, 0.5 point to 86.5% at Chicago, 4 points to 93% in the Mid-Atlantic district, 4.5 points to 73% at Youngstown, 8 points to 80% at Wheeling, 2.5 points to 88% at Buffalo and 1 point to 10% in the

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U.S.-Canada Economic Momentum And Automation's Prospects

By ROBERT C. SPRAGUE*
Chairman, Federal Reserve Bank of Boston
Chairman and Treasurer, Sprague Electric Company of North Adams, Mass.

Boston's central banker and manufacturer foresees for both Canada and the U. S. A. a continuation for the next 10 years of the broad economic trends of the postwar decade, and describes prospects for automation. Turning to the unprecedented American growth, Mr. Sprague praises our fiscal and monetary authorities for their role in the 1947 to 1956 period when national income rose 74% and consumer prices increased only 22%. In commenting on the even more impressive Canadian growth, the twofold chairman notes areas of faster increases, and describes reciprocal advantages accruing to each country as a result of investments and trade. Points out automation on a mass scale will require enormous total investment and will be a slow, gradual process, handicapped by lack of trained man power.

Over the past 10 years, Canada and the United States have been riding what is probably the broadest, longest, fastest and most exhilarating boom in human history. I don't think we have ever seen its like before.

Robert C. Sprague

It is true that the full benefits of this boom have not always been shared equally by all our people. It is also true that twice during this decade, the boom pressures have slackened sufficiently for the economies of your country and mine to sort of catch their breath and "consolidate their positions."

After both of these brief respites — which semantic-minded economists have labeled "rolling adjustments" — we have taken off again on our upward surge with renewed energy and enthusiasm. The over-all gains of the post-war decade have made this a period without precedent for most North Americans. And what's more, both Canada and the United States have swept up the climbing highway of this 10-year boom without seriously over-heating their respective economic vehicles.

Today, in mid-1957, our free-wheeling economies appear to be rolling across a high-level plateau. This gives us another breather — the third since 1947. It also gives us a convenient opportunity to check over the instrument panels, examine the landmarks of our present positions, and work out some bearings for the next leg of the journey.

Without being smug about past performance, both our peoples seem entitled to a modest, "So far, so good!" Which brings us to the question of "What next?—Where do we go from here?"

*An address by Mr. Sprague before the Radio - Electronics - Television Manufacturers Association of Canada, St. Adele, Canada.

Tomorrow's Future

Businessmen, economists and government officials will never agree on all the details of the road ahead. Their views are likely to be conditioned by a multitude of conscious and unconscious objectives and prejudices, and hedged about by a whole forest of "ifs" and "buts." I think, however, that while there will be no meeting of minds on the exact nature and dimensions of our economic tomorrow, most of the well-informed will agree to this general proposition: Barring major wars and super H-bomb accidents, the early future will pretty much resemble the early past. Tomorrow is mainly an extension of yesterday.

I will admit that over the next decade, there will be many shifts of interest, emphasis and leadership among the goods and services offered and purchased in the market place. There will be gains and losses of economic position and power among individual firms and industries, and on a lesser scale, among states, regions and nations. On a day-to-day basis, the chart lines of economic indexes will fluctuate vigorously, as they have in the past — but you will be amazed to see how they flatten out as weeks and months go by. As is known, the varying fortunes of a single enterprise do not greatly affect an industry as a whole, nor does a significant movement in a single industrial category greatly affect the total of all industries. The longer the time period studied, and the more factors included in an index, the more slowly the trend changes.

Yes, the next decade will see an infinite number of minor variations, dips and gains, within the national economic pictures of Canada and the United States. Although some of these changes may be revolutionary, most of them will have been broadly anticipated and allowed for in the plans of the alert and far-sighted. I think that barring a major war, we may assume for the next decade both in Canada and the United States, a general continuation of the broad national trends of the last decade. This means that in many respects things are certain to get bigger. Indeed, they will have to. And I also believe that if we exercise care and vigilance, things can be better as well.

If you charge me with optimism, I will concede that I am a believer in the over-all, long-run intelligence, ingenuity and general goodwill of mankind.

The principal factors which created and nourished the 10-year boom in the United States are familiar because, with certain exceptions, these are much the same factors which have so vigorously spurred the Canadian economy. In the United States these boom factors included:

Boom Factors

The release of normal demand for goods and services which had been dammed up during the war; a spurt in the rate of population increase; a continuing huge capital investment in plant modernization and in new plant and equipment; wage and salary and productivity increases; a steady expansion of residential, commercial and public works construction; the acceleration of industrial, commercial and personal loans and consumer credit; the hard-driving production and sales efforts in automobiles, appliances and other consumer durables; Federal military expenditures, and foreign assistance programs; the demand abroad for United States products; and, above all, acting like a yeast in this heady ferment, the ever-widening applications of science, and the amazing work in industrial research and development and in engineering and technology.

There is no simple, single cause and effect in this boom in the United States. The relative importance of these dynamic forces I have mentioned, and the nature and strengths of their interactions, are impossible of precise analysis and accurate measurement — although you will find many economists eagerly wading in where the angels don't dare tread. In our total situation, both the hen and the egg are here to stay and are factors we must reckon with. Debating as to which came first is a parlor game we just haven't time for.

Canadian and U. S. A. Growth

Let me summarize the effects of this boom in the United States with just two figures. Over the 10 years from 1947 to 1956, total income of all persons in the United States increased 74%. Despite this huge gain, the consumer price index rose only 22% during that period. These facts seem to me ample and eloquent testimony to the quick-mindedness, the sagacity and the raw courage of our monetary, fiscal and other governmental agencies.

All this is impressive—but the Canadian story is much more impressive. The why's and wherefore's are well known, yet I wonder if it is fully understood just how much Canada has distanced its neighbor below the international line. Let me give you a few comparative figures for the economic growth of our respective countries from 1947 through 1956.

In the last 10 years, United States population increased 17% — Canada's grew by 28%, or more than 50% faster. The national income of our people rose by 74% — Canada's shot up by 109%. In the United States, average weekly earnings in manufacturing rose by 60%, while Canadian earnings shot up by 89%. Our exports increased 32%, and Canada's 73%. We managed to beat the Canadian increase on the manufacturing production index, but the margin was pretty slim. And if we're entitled to be relatively undisturbed by a rise of 22% in our consumer price index, as against our large gains, Canada may be equally undisturbed over the 39% increase in the face of its truly astonishing performance.

The economic vehicle of the United States is certainly longer, heavier, packs more horsepower and carries more passengers than that of Canada. But obviously your highly-streamlined job has been traveling a great deal faster.

It would be presumptuous for me to try to describe to Canadians the reasons for Canada's signal economic success. They know their own strengths better than I do: They include discovery and energetic development of vast new natural resources; huge new hydro-electric installations; enormous capital outlays, which in 1956 accounted for 22% of gross national product compared with only 15% in the United States; wide expansion of manufacturing and of the service industries and facilities required to keep pace with your rapid population growth. And all these things have been pushed to the limit by imaginative applications of the newest scientific techniques and technologies.

In a recent talk to a group of Massachusetts businessmen, Murray Shields, one of our well known and most respected economists, stated that our economy would be sustained and stimulated during the next decade by no less than 16 Technological Revolutions — one of which is Electronic Automation.

Automation

Replacing the man with the machine is not, in itself, automation but mechanization. This goes back for many years. For as early as 1784, Oliver Evans built an entirely mechanized flour mill just outside of Philadelphia. But there were no programming nor feedback involved in the process. Electronic Automation adds to mechanization, in varying degrees, programming and feedback control.

Perhaps an example drawn from my own experience will emphasize the point. My company developed its own automatic rolling machines for paper capacitors, and others in our industry have, I believe, done similar work. This machine exemplifies mechanization—once started up it continues to spew forth capacitor sections, wound with a uniform predetermined number of turns. But, it does not correct for capacitance changes resulting from fluctuations in such things as paper thickness and paper density. In the future, we hope for the introduction of feedback controls — and thus automation—which utilize a sensing of the change in capacitance to automatically adjust and correct the number of turns (and thus the overlapping dielectric area) to produce units with great uniformity of capacitance value within a very small tolerance.

From this brief description I believe it is quite apparent that true automation represents a distinct advance over mechanization, the latter resulting in the manufacture of a given device, using available materials and components, at high production rates; but in the absence of feedback control. The chemical industry is a leader in the field of automation; the petroleum refining field in particular is now employing relatively advanced systems for temperature control, blending of different materials, and product separation, using feedback controls, programming and servo-mechanisms.

I do not mean to imply by this statement that the balance of industry has necessarily been laggard with respect to automation, but we must remember that the chemical industry deals largely with continuous-flow processes whose output is in the form of a stream, and hence readily subject to the analog type of control. In our industry, as in many others whose products are discrete, automation involves numerical control and this has proven to be a good bit more costly to achieve without sacrificing the versatility so necessary in short-run production.

I might also point out that the term "automation" has been loosely used in the electronics industry for anything connected with printed wiring boards, whether or not parts have been assembled to the boards by automatic machinery, by single step machines, or by the classic "*Armstrong method*" —the fingers of a skilled human operator.

Mechanized Assembly First

Certainly, if we hope to reach the goal of true automation, the first step must be mechanized assembly. After such mechanization, feedback control can be introduced to correct the variables in the process. If mechanization, however, is being used only because of the probability of an attractive reduction in labor costs, recent experiences of large elec-

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Long-Range Business Effects of The Suez Crisis: Here and Abroad

By JOHN E. REYNOLDS*
Specialty Study Section, Division of International Finance
Board of Governors of the Federal Reserve System

International finance expert contends energy supplies must expand more rapidly than output and that petroleum supplies, especially from the Middle East, must rise still more rapidly in order to permit expanding economic growth for the West. This growing, inescapable dependence on energy sources and repercussion of the Suez Crisis, according to Mr. Reynolds, has speeded up such trends as: (1) increasing stress placed on coal, atomic energy, larger tankers, and oil developments outside the Middle East; (2) greater total energy investment; (3) European community idea; (4) heightened awareness of our increasing dependence upon Middle East oil; and (5) possible stronger upward pressure on fuel price. The author recites the factors responsible for keeping economic costs of the Suez Crisis smaller than originally anticipated and accounts for the world's growing economic flexibility.

Before venturing into the future, it may be useful to see what economic effects the Suez crisis has already produced. It seems to me that the world economy has gotten off remarkably lightly by comparison with the fears generally expressed last November.

Consider, first of all, Western Europe and its oil supplies. It was generally reckoned last November that with the Canal and the Syrian pipelines out of commission, no more than 75% of Western Europe's pre-Suez oil supplies could be delivered, and probably even less than this at first. In fact, however, deliveries have been considerably higher — about 75% of the pre-Suez level in November-December, 85% in the first quarter of this year, and over 100% in the current quarter.

It was widely expected last November that industrial production in Western Europe would be depressed several per cent by fuel shortages. In fact, output remained unchanged in November and December and has since been expanding again. There were, to be sure, a brief dip in auto sales, some inconveniences as a result of gasoline rationing, some fuel substitutions and economies required of particular industries. But in general, output was not hampered much, and business investment was maintained at a high level.

What about Western Europe's balance of international payments? Even reduced supplies of oil, with the Canal and pipelines blocked, would cost European countries more foreign exchange, especially dollars, and there was renewed talk last fall of a so-called "dollar shortage" — that amorphous thing that many people have imagined they saw lurking just beneath the surface through all these years of prosperity. Some people thought the pound sterling might have to be devalued; indeed, many of them bet upon it, in a way which caused a considerable drain on British reserves. It was also widely suggested that import restrictions would have to be reimposed by major European countries, thus reversing the hard-won trend toward liberalization. But as it has turned out, although Europe has spent more dollars for oil— perhaps $300 or $400 million more in the past six months—there have been no new import restrictions as a result of Suez, no reversal of dollar trade liberalization, no devaluation of sterling.

All in all, then Western Europe has not fared so badly. And that has been important for this country, because it was through its effects on our allies and trading partners in Europe that the Suez crisis seemed likely to have its greatest impact on us. More direct effects on our own economy have been small, as expected, although there have been substantial additional demands to be met by our petroleum, shipping, and shipbuilding industries.

Another widespread fear last November was that raw materials prices might shoot upward on the pattern of 1950. In fact, they behaved remarkably calmly. Shipping freight rates, it is true, rose sharply further, and much of that increase is still with us even though marginal rates are down again below pre-Suez levels. Producers' prices of petroleum and products are also higher as a result of Suez and other developments. All these movements raised the cost of living another notch in several European countries—by about 1%—but there has been no further general rise since January.

The Suez crisis has also had economic effects on the Middle Eastern countries themselves, both the oil-producing countries and the oil-transit countries. I shall have more to say about that in looking ahead. There have also been costs for countries like India and Sudan which depend heavily upon the Canal for their dry-cargo trade and are badly placed to use alternative routes.

When all these economic costs of the Suez crisis are toted up, they seem much smaller than most of us expected last November. This happy outcome is in part a tribute to the flexibility and hard work of the oil companies, the shipping industry, and industries in Europe which depend heavily on imported petroleum, like the steel industry in Britain which began to fire its furnaces with creosote pitch. It is also a tribute to the good sense of businessmen and consumers, who did not panic.

The calming of the political atmosphere was, of course, an essential ingredient. A longer crisis could have done much more harm. And there have been important elements of pure luck, one of which was the exceptionally mild weather in Europe this Winter.

But from a broader viewpoint, we have had a convincing demonstration of the good health and resilience of the world economy, of its ability to make adjustments and substitutions rapidly at the margins affected. We had nowhere near this degree of resilience in 1949, when major currencies were devalued, and when raw materials prices sagged as the American economy faltered. Nor did we have it in 1950-51 when raw materials prices shot upward off the graphs and then came skidding down again.

We began to see the new resilience in 1953-54 when much to everyone's surprise a mild recession in this country caused almost no difficulties abroad. And now we have seen it pass another convincing test. There are four major elements, I think, in this growing economic flexibility of the past few years.

First, the United States economy has performed well, combining growth with a fair measure of stability and a sufficient adjustment in its foreign transactions, despite reduced economic aid, to permit many countries abroad to rebuild their reserves.

Secondly, there has been a wholesale dismantling of direct controls abroad, a revival of healthy markets, and a restoration of a considerable measure of convertibility for major foreign currencies.

Third, we have seen increasing and intelligent use made of flexible monetary policies in a great number of countries. In 1950 there was still a monetary slackness round the world. At that time the consumer and the trader who wanted to stock up simply did so: he either had the money or could get it from his bank. Last fall, by contrast, the monetary sheets were taut. People did not have the excessive liquidity which would have enabled them to speculate on price changes, or to postpone necessary business adjustments. At the same time, they had much greater freedom than in earlier years to buy and sell in the most advantageous markets, and hence greater incentives to make needed adjustments quickly.

Finally—and this is a symbol of a growing like-mindedness about economic matters among the leading countries of the world—international economic institutions born only within the past decade have turned in a seasoned performance. It was the International Monetary Fund which stopped the run on sterling last December, and to which Britain pledged the continuation of appropriate economic policies. The OEEC—the Organization for European Economic Cooperation—took the lead in securing the best possible supply and distribution of petroleum among its 17 member countries in Western Europe.

Future Prospects

So much for the past. What now of the future? The buoyant good health of the world economy in recent years has imparted a rosy glow to long-range forecasts of production and income. It seems to me that the Suez crisis has made us aware, or ought to have made us aware, that there are also shadows in the outlook.

Long-range forecasts are generally what might be called "full-employment potential" forecasts. By this I mean that they project aggregate production by projecting manhours and output per manhour, as indicated by past trends and modified by judgments as to future possibilities. In so doing, they assume full employment, and they are influenced by growth rates of the recent past which have been high.

There is nothing fundamentally wrong with this approach if it is understood. Presumably we want continued growth and high employment, and these seem more reasonable aspirations now than they did 20 years ago. The forecasters are giving us in effect, a rough measure of the economic height that we can scale if we manage our affairs reasonably well.

The relevance of these forecasts to the Middle East is that they all show that very considerable growth is possible, but that energy supplies must expand more rapidly than output, and that petroleum supplies, especially petroleum supplies from the middle East, must rise still more rapidly.

The OEEC, for example, has recently published a most interesting document called *Europe in 1960*. They expect that the gross national product of Western Eu-

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*An address by Mr. Reynolds before the General Management Conference, American Management Association, New York City.

Some Observations on Business And the Tight Money Picture

By JAMES P. HICKOK*
President, First National Bank in St. Louis

Describing himself as a "reasonable optimist" and admitting one can be more precise about the future than about what is going to happen tomorrow, Mr. Hickok believes the current outlook to be encouraging and that bank lending rates will remain at existing levels despite this year's soft spots, possible moderate decline, and continued scarcity of savings relative to demand for bank credit. The St. Louis banker opines that in view of the negative factors present in 1957, "the fact that our real output has increased at all is certainly a tribute to the strength of our economy." Attributes present price inflation to climbing costs of services, and ever present inflation pressures which take place whenever wage increases exceed productivity.

I have more than a passing interest in the scientific processes of economics, of course, but my time is so taken up with day-by-day banking activities that I must of necessity base my estimates of our national economic health on experienced general observation. At the same time, I am in a position to watch at rather close range certain aspects of the money market and the credit situation as it relates to business.

I must warn that, basically, I am an optimist—an optimist about our country, our economy, and our prospects. I agree with the European financial expert who made a somewhat classic remark. He said: "American business is like a dry Martini. When it's good, it's very good, indeed. And when it's bad, it's still good."

Thus far, in 1957, we have reason for both optimism and pessimism. In fact, I think the New York "Times," at the close of the first quarter, summed up the situation very neatly with the headline: "'57 Outlook—Fog, Variable Winds." The subheading read, "At the quarter mark, how's business?" And it added, "It depends on which business!"

So, to follow the traditional banking pattern, let's take a look at the balance sheet!

Examines Favorable Factors

On the favorable side, consumer income is at a historical peak, and still appears to be rising.

Business capital spending for plant and equipment is similarly still rising, but at a more moderate rate than in recent months.

Business inventories are undergoing a seemingly healthy adjustment as reflected in the current orderly reversal from accumulation to decumulation against a background of well sustained sales volume.

Government spending will probably continue to expand both at national and local levels.

Confidence generally continues high as reflected by attitude surveys such as those conducted by the Board of Governors of the Federal Reserve System in cooperation with the University of Michigan.

Reviews Soft Spots

As to soft spots, on the basis of disappointing spring demand, leading automobile manufacturers have recently revised downward their estimates of this year's total production, contrary to earlier expectations.

Many small businessmen are in trouble. Business failures for the first quarter were up over the same period in 1956. Farm income has not been materially improved, with weather conditions continuing unfavorable over important producing areas.

Home builders say that '57 is shaping up as their worst year since World War II.

Oil men are in a tough competitive market and are predicting a serious surplus problem.

Retailers are still trying to determine whether the year will be better or worse than 1956, and—even though their volume is still likely to be high—the profit situation for the individual merchant is not exactly a happy one.

Purchasing agents are filling only near term requirements and are consequently buying less than they were a year ago. In fact, one of the most striking developments in the first quarter was the earlier referred to halt in the inventory build-up that has accompanied the business boom during the past two years.

Yet, in spite of the soft spots, our Gross National Product—the value of all goods and services produced in our economy—rose to a yearly rate of $427 billion in the first quarter. If this pace is maintained, another new record will be established.

Credits Our Strength

Two points should be made in commenting on this new all-time peak in our Gross National Product. The first is to note that the increase over 1956 does not yet signify a corresponding expansion in real output. Higher prices accounted for some of the boost. At the same time, however—and this is the second point—when you consider the record level achieved in 1956, and when you consider the negative factors we have encountered so far in 1957, the fact that our real output has increased at all is certainly a tribute to the strength of our economy. A decline in one area is balanced by an upsurge in another, and the long-range trend of our business activity keeps moving to higher and higher levels.

Finally, the Federal Reserve industrial production index has been hovering around 145 and 146, just 1 to 2 points off the year-end figure of 147, which is now regarded as the peak of our boom. Employment continues strong, running well over 64 million, wages continue to rise, but price pressures — although lessened in the wholesale area—are becoming of increasing concern.

As they say . . . there is a mess of figures. And you can juggle them in a lot of different ways.

However, most economists seem to agree that the froth on the boom which developed nearly two years ago has largely been dissipated, and that the economy appears to be stabilizing at a high plateau. They also seem to agree that many of the basic pressures toward more inflation are subsiding, even though the consumer price index is still trending upward. They point out that this upward trend is due primarily to the climbing cost of services, and that the consumer index lags in reflecting changes in basic commodity prices. The upswing in commodity prices on the wholesale level, which was so pronounced last year, slowed down during the first quarter. This

*An address by Mr. Hickok before The Rice Millers' Association, St. Louis, Mo., June 13, 1957.

could well be the forecast of a period of relative stability.

At the same time, never underestimate the forces of inflation. While no longer actively present in most areas of supply and demand, they will be ever present in the pressure for any wage increases that are not justified by increases in worker productivity. Evidence is accumulating that recent pay increases have not been accompanied by appropriate productivity increases.

As an optimist—but in this case, I think, a reasonable one—I firmly believe the current outlook to be encouraging. 1957 will not show the advances which we experienced in 1955 and again in 1956; it will not, unfortunately, be a good year for every group in our economy. However, the economy does appear to be in a state of healthy and desirable adjustment, following more than two years of continuous, and some think too rapid, expansion.

In that kind of atmosphere—what about the so-called tight money picture?

Money Tightens

While demand for long term funds continues large, demand for bank loans in recent months has shown some tendency to taper off. To illustrate, a year ago loans of weekly reporting banks of the Federal Reserve System in major cities were some 19% higher than at the same time in 1955, while currently they are but about 5% higher than this time in 1956. Despite this relative slackening in the rate of loan demand, it is to be noted that total bank loans still remain higher than a year ago. As a result, commercial banks, on balance, are so pressed for funds that they continually find it necessary to borrow required reserves from the Federal Reserve Banks. Moreover, the second half of the calendar year is normally a period of bank loan expansion for the purposes of financing processing of crops and retailers fall inventory purchases. There is accordingly little foreseeable prospect for any significant increase in loanable bank funds, and consequently little likelihood of any near-term easing in bank lending rates.

I am certain that scarce money is not primarily the result of any activity on the part of our banking system, the Treasury Department, or the Federal Reserve Board.

Finds Savings Still Inadequate

It is, instead, the inevitable consequence of our recent national pattern of spending money faster than we save it. Put another way,

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Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

American Industry — Brochure — First National City Bank of New York, 55 Wall Street, New York 15, N. Y.

Atomic Letter (No. 28)—Comments on University of Michigan Report about the beneficial use of atomic energy in medicine, reports increased earnings and dividends on its shares of South African uranium companies and comments on Aerojet-General Corp., Daystrom, Inc., N. V. Phillips and Topp Industries, Inc.—Atomic Development Mutual Fund, Inc., Dept. C., 1033—30th Street, N. W., Washington 7, D. C.

Burnham View — Monthly investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current **Foreign Letter.**

Equities for Investment—List of 225 quality common stocks arranged by industries—Gude, Winmill & Co., 1 Wall Street, New York 5, N. Y.

Fifteen Largest Banks in the U. S. — Comparative figures — Bankers Trust Company, Bond Department, 16 Wall Street, New York 15, N. Y.

Insurance Stock Analyzer—Comparative figures—Blair & Co. Incorporated, 20 Broad Street, New York 5, N. Y.

Japanese Business & Industrial Survey — Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y

Japanese Stocks — Current information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

Life Insurance Company Assets & Operating Income — Comparative figures—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Market Review—Study—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Mid Year Review—Bulletin—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

More Research . . . or Else—Highlights No. 33 on "research-rich companies" with particular reference to **American Research & Development Corp., Collins Radio, Electronic Associates, Electronic Specialty Co., Lithium Corp. of America, Metal Hydrides Inc.** and **Vitro Corporation of America** — Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

New York City Bank Stocks—Comparative figures at June 30, 1957—The First Boston Corporation, 15 Broad Street, New York 5, N. Y.

New York City Bank Stocks—Second quarterly analysis of 13 New York City Bank Stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Railroad Stocks—Analysis—Vilas & Hickey, 26 Broadway, New York 4, N. Y.

Selected Securities—Selected lists of securities for various purposes—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Steel & Iron Ore Industries in Canada — Analysis — With particular reference to **Algoma Steel Corporation Ltd., Dominion Steel & Coal Corporation, Ltd., Dominion Foundries & Steel Limited, Steep Rock Iron Mines Ltd., Hollinger Consolidated Gold Mines Ltd.,** and **Labrador Mining & Exploration Ltd.**—Burns Bros. & Company Limited, 44 King Street, West, Toronto 1, Ont., Canada.

Stock Market Analysis: Facts & Principles—Plus three weeks of regular service including strength ratings of 500 stocks with recommendations—$1—Dept. CF 101, American Investors Service, Larchmont, N. Y

Stock Science—Commodities for profits—sample copy on request—Stock Science, Dept. 14, 144 Beacon Avenue, Jersey City, N. J.

Underground Wealth—Discussion of crude oil and natural gas reserves—in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue is an analysis of **Hertz Corporation.** Also available is a selected list of stocks at both ends of the market spectrum.

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Air Reduction—Data—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are data on **ACF Industries, Grolier Society, Bethlehem Steel** and **Sterling Drug.**

Allen Electric & Equipment Co.—Memorandum—Wm. C. Roney & Co., Buhl Building, Detroit 26, Mich. Also available are memoranda on **Grand Rapids Varnish Co., Lansing Stamping Co.** and **Tecumseh Products Corp.**

American Marietta Company—Analysis—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill.

Amphenol Electronics—Data—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Curtiss Wright Corp.** and **Trane Company.**

Atlantic City Electric Co.—Data—Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y. Also in the same circular are data on **Pacific Gas & Electric Co., Rockland Light & Power Co., Savannah Electric & Power, Southwestern Public Service,** and analyses of **British Petroleum Co., Ltd.,** and **National Homes Corp.**

Avco Manufacturing—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also available is an analysis of **Kellett Aircraft** and **Revlon.**

California Water & Telephone Co. — Analysis — J. A. Hogle & Co., 507 West Sixth Street, Los Angeles 14, Calif.

Clevite Corporation — Analysis — Purcell & Co., 50 Broadway, New York 4, N. Y.

L. A. Darling Company—Analysis—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Johnson Service Company—Report—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available are reports on **Ed. Schuster & Co., Inc.** and **American Express Company,** and analysis of the demand for water, and data on **National Aluminate Corporation** and **Hagan Chemicals & Controls, Inc.**

KLM Royal Dutch Airlines—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also available are data on **Container Corporation.**

E. J. Korvette, Inc.—Analysis—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Manning, Maxwell & Moore, Inc.—Data—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

McRae Oil & Gas Corp.—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

Merck & Co., Inc.—Analysis—McDonnell & Co., 120 Broadway, New York 5, N. Y.

Monroe Auto Equipment—Report—Moreland & Co., Penobscot Building, Detroit 26, Mich.

Northwest Production—Report—Western Securities Corp., 1 Exchange Place, Jersey City 2, N. J. Also available are reports on **Three States Natural Gas, Delhi Taylor Oil,** and **Big Piney Oil & Gas.**

Powdrell & Alexander Inc.—Memorandum—Cartwright & Parmelee, 70 Pine Street, New York 5, N. Y.

Safety Industries—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Schering Corporation — Study — Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Scranton Spring Brook Water Service Co. — Analysis — A. G. Becker & Co. Incorporated, 60 Broadway, New York 4, N. Y.

Servo Corporation of America — Analysis — Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Swift & Co.—Memorandum—The Illinois Company, 231 South La Salle Street, Chicago 4, Ill.

Tekoil Corporation — Report — Witherspoon & Associates, Inc., Fidelity Union Life Building, Dallas 1, Tex.

Union Pacific Railroad Company—Circular—Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y.

Western Natural Gas—Memorandum—Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

Our Reporter's Report

Unless money market conditions again become unsettled and require a further readjustment of the bond market, it now appears that the corporate new issue market will not drop entirely into the doldrums in the six weeks between now and Labor Day.

But there will be at least two weeks when distributors of new securities will find time heavy on their hands, that is unless some prospective corporate borrowers should decide to come into the market in those intervals.

For although the calendar for the period is not what might be termed "robust" either in point of number of issues or the amounts involved, it is indicated that there will be a goodly smattering of offerings, some of them substantial in size.

From next week through the summer-end holiday period the roster now showed about eight corporate debt issues in prospect, including two modest-sized rail equipment trust issues.

Except for Norfolk & Western Railway's $4.3 million issue of equipment certificates, slated for July 31, there is a complete dearth in the calendar, at the moment, between July 30 and Aug. 13 when Northern States Power (Minn.) will be looking over bids for $18 million of its new bonds.

The same situation develops from Aug. 20, when Pacific Telephone & Telegraph has $90 million of debentures up for bid, and Sept. 4, when Louisville Gas & Electric will put $15 million of bonds on the auction block.

But with those exceptions it appears that there will be at least one or two issues going through the mill in each of the other weeks.

Some $265 Million

The eight corporate debt issues now in prospect foot up to a total of about $265 million which the issuers will be seeking to raise in the capital market.

And, it develops just about $200 million will be accounted for by the three largest projected offerings. Biggest, of course, is Pacific Telephone's $90 million offering mentioned previously.

Next in size is Pacific Gas & Electric Co.'s $70 million of bonds on which it is slated to open bids next Tuesday. On the following day, Wednesday, Sears, Roebuck

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Rep. Mills Restates Conclusions Reached By His Committee on the Economic Outlook

Subcommittee head challenges Congressmen objecting to his committee's unanimous report to dispute the conclusion that, at present, we need to rely on general fiscal and monetary restraints to curb inflation.

An anomalous Congressional Subcommittee's unanimous economic outlook and fiscal-monetary policy views created a reaction in Congress which prompted the Chairman of the Subcommittee in question to dispatch an equally anomalous letter to all his colleagues daring anyone to take issue with any one of his Subcommittee's statements.


Hon. Wilbur D. Mills

The letter restated the basic findings of the Joint Committee's Subcommittee on Fiscal Policy and reproved those Congressmen who refused to act in the same non-partisan spirit as those who made up the Subcommittee report.

The letter's author, Representative Wilbur D. Mills (D. Ark.), Chairman of the Subcommittee, took to task those critics who do not want further inflation but, in effect, by attacking the report are paradoxically in favor of it if they seek reduced taxes and monetary easing at this time without any downward change in Government spending.

The text of the letter, released June 28, follows:

"Congress of the United States
"Washington, D. C.
"Dear Member:

"The attached report on fiscal policy implications of the economic outlook and budget developments by the Subcommittee on Fiscal Policy of the Joint Economic Committee was presented to the Congress on June 26, 1957. The purpose of this report was to set forth in the clearest possible language, the Subcommittee's findings concerning the broad outline of a sound responsible fiscal policy in fiscal 1958 which would best contribute to the setting in which our free enterprise economy can achieve continuing growth without further inflation.

Discusses Objectivity of Hearings

"These findings, prepared and reviewed with the greatest care by all members of the Subcommittee, are based on the testimony presented to the Subcommittee in public hearings by 33 non-Government experts from industry, labor, agriculture, and universities. These hearings were conducted in an objective and non-partisan spirit in which all members of the Subcommittee sought to develop, with the assistance of these experts, the *facts* concerning the prospects for easing fiscal and monetary restraints. The Subcommittee was also greatly benefited by the full and candid testimony of the Director of the Bureau of the Budget, the Secretary of the Treasury, and the Chairman of the Board of Governors of the Federal Reserve System.

"Each day's hearings was opened by a statement from the chair which emphasized the objective, non-partisan approach of the Subcommittee to the fiscal policy problems with which we were concerned. These problems are of the gravest moment. The ability of this nation to enjoy continuing economic growth without the inequitable burden of inflation, depends on the answers provided to these problems. The responsibility for finding these answers is an awesome one. It can be properly discharged only by level-headed, searching scrutiny of facts, in which all those participating keep partisan considerations subservient to the interests of the country as a whole.

Regrets Partisan Reaction

"I very much regret that the Subcommittee's report has not been received in all quarters in the non-partisan spirit in which it was offered. I particularly regret that the major emphasis of the report has been overlooked. I want to restate that emphasis in unmistakably clear terms now.

"The Subcommittee's basic finding, clearly stated in its report and surely by now appreciated by every member of this Congress, is that there is only one way in which taxes can be reduced and monetary restraints eased without resulting in further inflation so long as the economy continues to operate at high and rising levels. That one way is by stopping the increases in Federal Government spending.

"The report states that barring an economic downturn, which seems unlikely at this time, tax reductions or easing monetary restraints in fiscal year 1958 should be based on substantial reductions in actual Federal spending if further inflation is to be avoided. The report states that such reductions have not yet been provided. The report states that merely continuing present spending programs will not curb rising Federal spending over the next several years. The report states that substantial reduction in Federal spending will require cuts in present spending programs as well as foregoing new expenditures. The report states that to reduce present spending programs, the Congress and Administration will have to go beyond merely eliminating waste and inefficiency and will have to make basic revisions in these programs.

"The report states that if we can find the way to check the rise in Federal spending, the growth in our economy will permit substantial tax reductions over the coming years. The report states that the basic problem underlying present inflationary trends is an inadequate level of real savings out of current income. The report states that until higher levels of voluntary real savings are achieved, we must rely on general fiscal and monetary restraints to curb inflation. The report recognizes that the burdens of high taxes and tight money do not fall evenly throughout the economy. The report states what all of us know, that the burden of inflation is far more unfairly distributed. The report states that the alternative to these general fiscal and monetary restraints is direct government control over wages and prices, which would be even worse than inflation. The report states that both the Congress and the Administration must be constantly attentive to changes in the tax system to keep it in line with the needs of our dynamic economy, but that the timing of such changes must give due consideration to the government's revenue requirements.

Challenges Objectors

"Will anyone take issue with any one of these statements in the Subcommittee's report?

"The report does **not** endorse tight money nor high taxes. **Every** member of the Subcommittee on Fiscal Policy, **every** member of the Joint Economic Committee, every member of the Congress wants to see substantial reductions in taxes and easing of monetary restraints. But, **no** member of the Subcommittee on Fiscal Policy, **no** member of the Joint Economic Committee, **no** member of the Congress wants further inflation.

"The report states that restraining inflation never has been and never will be an easy job. The report states that public policies cannot duck the problem of inflation and honestly serve the interests of the American people. The report states that these problems must be faced squarely and will be solved by appraising the findings of objective and dispassionate inquiries.

"I cannot see a single partisan issue in this report. Inflation and the means of preventing it bear no party labels.

"Sincerely yours,
"/s/ WILBUR D. MILLS."

Stratford Securities

Stratford Securities Co., Inc., is now conducting its investment business from offices at 135 Broadway, New York City.

Applying Anti-Trust Laws to the Labor Trust

By JOHN A. BARR*
Chairman and President, Montgomery Ward & Co., Inc.

Head of one of the nation's largest retail chains calls for a Sherman Act for Big Labor. Decrying the bargaining power of labor leaders which make them dictators instead of bargainers, Mr. Barr contends that employers sitting across bargaining tables feel puny compared with union leadership on the other side. Denying opposition to unionization or to collective bargaining, and fully in accord with the establishment of a balance of power between labor and management to effectuate true collective bargaining, the author advocates passage of an anti-trust law so framed as to assure non-one-sided power balance between an employer and the collective strength of his own—and not other—employees in the bargaining process, and the outlawing of the union shop which does not tolerate minority opinion.

There is one controversial subject which currently is receiving a great deal of public attention, and which, directly or indirectly, reaches into and affects all segments of our business economy. I refer to the rapid growth of labor unions in this country during the past 25 years, and to the problems which have arisen from this development.

John A. Barr

Some of these problems are being brought to the public's attention as a result of hearings being held by the McClellan Committee in Washington, while others were aired during the debates which preceded Indiana's becoming the 18th state to adopt a right to work law earlier this year.

Unionism has been a concern of businessmen since the earliest days of American history. Journeymen tailors in New York went on strike as early as 1768, and effective trade unions were established in at least six crafts before the close of the 18th century.

The first successful federation of independent trade unions, the National Labor Union, was formed in 1866. Most businessmen have had occasion during the past few years to experience the truth of this organization's slogan of over 90 years ago: "Whether you work by the piece or work by the day, decreasing the hours increases the pay."

Inexperienced Business

Despite this long history of trade union development in American business, union relations are relatively new in many of our major industries. As a result, businessmen generally are relatively inexperienced in the handling of union problems and there is a very real need for more open discussion of union issues than we have had.

One of the more important issues, as I see it, is the development of a labor monopoly which threatens both the health of our economy and the preservation of our liberty. I would like to give a few of my thoughts on this issue, not with the idea of telling anything not already known, but rather in the hope of stimulating a bit of additional thinking on a subject which is important to all of us, and to the nation.

To appreciate the status of unions in today's economy requires some understanding of the major role the government has played in the development of the union movement.

During the first 100 years of its existence, the Federal Government tolerated union organization without either encouragement or suppression. The passage of the Sherman Act in 1890, which prohibited unions as well as businesses from imposing any restraint on interstate commerce by an agreement, contract, or trust marked the beginning of an era of mild restraint on labor.

This era of restraint began to crumble in 1926 when Congress granted to railroad labor a statutory right to organize without interference or coercion from their employer. It received its death blow in 1932, when, by the Norris-LaGuardia Act, Congress effectively freed labor from the limitations of the anti-trust laws and prohibited the Federal courts from issuing injunctions in labor disputes.

During the following three years a revolutionary change in the government's attitude toward labor was perfected. During this period the administration in Washington fostered an assumption that the depression following 1929 was caused by a maldistribution of income and purchasing power, and that this condition could and should be corrected through collective bargaining. Although this assumption unquestionably was based upon considerations of practical politics rather than principles of sound economics, it, nevertheless, was adopted and used as the excuse for establishing a governmental attitude of actively encouraging the unionization of workers.

Labor Legislation

Although implemented by a number of statutes, administrative acts, and judicial opinions, this attitude of encouragement was expressed most clearly and forcefully through the Wagner Act, enacted by Congress in 1935.

The Wagner Act placed upon employers a legal obligation to bargain collectively with any union chosen by a majority of their workers. The Wagner Act guaranteed to workers the right to organize, and made it a violation of law for an employer to interfere with, restrain, or coerce his employees in the exercise of this right.

Those, in my opinion, were sound and proper requirements. If any of you have the impression that I am opposed to the unionization of workers, or to collective bargaining, I would like to correct that error before proceeding further. I strongly believe that workers should have the right voluntarily to form and join unions, and to bargain collectively with their employer. And I have no objection whatsoever to those rights being guaranteed by Federal or state law.

But the Wagner Act, like the Norris-LaGuardia Act, was a one sided statute. Both gave important rights and privileges to unions, but they imposed on unions no balancing obligations. Under the Norris-LaGuardia Act, unions were free to form huge monopolistic combinations of labor, and to interfere with and restrain interstate commerce without legal restriction, regardless of how serious the penalty to the public and to the national economy might be; and the Federal courts were prohibited from enjoining any union activity, regardless of how lawless it was. Under the Wagner Act, employers were prohibited from interfering with union organization while union leaders were free to coerce workers without restraint.

In effect, the development of strong unionism was regarded as so important to the public welfare that not only were union leaders encouraged to monopolize the nation's labor force without effective legal restraint, but it came to be regarded as reactionary, or perhaps even unpatriotic, to question the unprincipled methods which unions used.

Labor hailed the Wagner Act as its Magna Carta, and unions were alert to take full advantage of the privileged status granted to them. They grew to be large and wealthy and to wield great political as well as economic power.

Finally, in 1947, the people became sufficiently aroused to demand that some corrective action be taken. The result was enactment of the Taft-Hartley Act. The Taft-Hartley Act preserved to workers all of the rights which had been granted by the Wagner Act, and attempted to correct some of the minor abuses which had arisen during the previous 12 years. The Taft-Hartley Act did not change the trend of union development or significantly deter the growth of union power. Save for exceptions which are not significant to this discussion, we continue to operate today under the principles established by the Wagner Act in 1935.

By their terms, both the Wagner Act and the Taft-Hartley Act condemn "the inequality of bargaining power between employees who do not possess full freedom of association . . . and employers who are organized in the corporate or other forms of ownership association" and both stress the objective of "restoring equality of bargaining power between employers and employees."

An employer of many laborers obviously has more bargaining power than any one of his employees. When workingmen were not free to bargain collectively, some employers took unfair advantage of this superior economic power and exploited their workers. Congress recognized, or at least it purported to that the answer lay in establishing a balance of power between employers and unions so that true collective bargaining might function.

Sound Principle

In my opinion, this was a sound principle for settlement of the fundamental conflict between labor and capital which continually poses a threat to our welfare. In fact, it may be the only fair and sound basis for settlement. Just as a balance of power between nations encourages fair dealing and discourages war, so a balance of power between an employer and his employees encourages fair wages and working conditions, and discourages strikes.

Congress, in any event, knew that to be successful in the public interest, bargaining must be between parties whose economic strength is approximately equal. Consequently, Congress, in both the Wagner Act and the Taft-Hartley Act, expressed an intention to equalize the bargaining power of workers and their employers.

The fact is, however, these Acts have failed to accomplish this objective.

Situation Today

The dominant bargaining power now sits on the other side of the bargaining table. We now have single employers forced to bargain with unions which represent not only the collective strength of their own employees, but, through combination with other unions, also represent and control hundreds of thousands of other employees, including the employees of their competitors, their suppliers, and their customers.

Any employer may reasonably be expected to consider and weigh the collective strength of his own employees in the bargaining process. This would be true collective bargaining. This would be the "equality of bargaining power" which Congress sought to establish by the Wagner Act.

But no employer can reasonably be expected to match the collective strength of all employees who belong to the large national unions. When unions, through combination, are permitted to represent and control not only the workers of one employer, but also the workers of that employer's customers, competitors and suppliers, they have the power to dictate, rather than bargain for, wages rates and other terms of employment.

This bringing to bear on single employers the collective economic strength of the workers of many employers is expressed in the form of general strike funds, sympathy strikes, secondary boycotts, struck work and hot cargo restrictions, and picket line prohibitions. These, in turn, are fostered and given substance by combinations of local unions into national unions which represent the workers of many employers, by agreements between different unions, and by agreements between unions and employers. Since the purpose of these restrictions, agreements, and combinations is to control the supply and wages of labor and the conditions under which labor is to be performed, it may properly be called a labor monopoly or a labor trust.

Wants Consistent Treatment

Monopolies have long been recognized as iniquities in our economy. As long ago as 1602 monoplies were held to be unlawful by the courts. The reasons were that they tend to stifle competition and therefore to increase unreasonably the price of the article or service monopolized, they tend to result in deterioration of the quality of the monopolized commodity or service, and they tend to create unemployment.

The inevitable tendency of all private monopolies is to increase the price of the product or service monopolized beyond the level which would prevail under conditions of free competition. The labor monopoly is no exception. As the labor monopoly forces higher wage rates without a corresponding increase in production, the producer must increase the price of his product. As the price of a product increases, less of that product is sold. As sales fall off, production is curtailed. As production is curtailed, unemployment is increased and fewer things are available for consumption. This result is neither in the public interest nor in the interest of the workers themselves. A few workers profit by the higher wages they receive. However, this profit is at the expense of their fellow workers who are forced into unemployment and at the expense of the great majority of our people who must pay higher prices and have fewer things.

Union Shop and Sherman Act

A few years ago combinations of industrialists sought to control the marketing of certain products, thus enabling them to determine the amount to be sold and the selling price. Congress destroyed these trusts by enactment of the Sherman Act. Today combinations of labor leaders seek to control the marketing of human labor, thus enabling them to determine the amount of work to be done and the wages which must be paid for it. Congress is permitting this trust to continue.

The effectiveness of this monopoly is greatly strengthened by the plan of unions to gain absolute control over workers through union shop contracts. A union shop contract is an agreement between a union and an employer which makes it compulsory that men and women belong to the union and maintain their union membership in good standing in order to work in the plant covered by the contract.

The function of the union shop is to furnish the element of control which is essential to complete monopoly. As the worker's job depends upon his membership in good standing in the union, the union has complete control over the worker. The worker loses his freedom of independent action. He dares not work for a wage less than that dictated by the union. He dares not do more work or better work than the union tells him to do. He dares not work when the union tells him to strike. He dares not violate any of the many rules and policies which the union may declare. If he should, he loses his union membership and, consequently, his job. He not only loses his job but also his right to work in all other union shop plants.

If the unions are permitted to attain their goal of making the union shop universal, this will mean that a man who is denied membership by a union, or who for any reason loses his union membership, will have lost all opportunity to work — at any trade, anywhere.

Right to Work

The union shop agreement, which places a condition of union membership and support on a man's right to work, is one of the most undemocratic institutions ever to get a foothold in America.

The right of a man to engage in any of the common occupations of life without the imposition of unreasonable or burdensome restrictions is one of the fundamental liberties recognized by the Declaration of Independence and guaranteed by the Constitution. As stated by Justice Charles Evans Hughes:

"It requires no argument to show that the right to work for a living in the common occupations of the community is of the very essence of the personal freedom and opportunity that it was the purpose of the (Fourteenth) Amendment to secure."

In fact, it may fairly be said the right to work is coextensive with the right of life itself, because most of us must work for a living and anything that denies us the right to work places life itself in peril. As Shylock said in the *Merchant of Venice*, "You take my house, when you do take the prop that doth sustain my house; you take my life, when you do take the means whereby I live." And, as more currently stated by Mr. Justic Douglas of the Supreme Court:

"The right to work, I had assumed, was the most precious liberty that man possesses. . . . It does many men little good to stay alive and free and propertied, if they cannot work. To work means to eat. It also means to live."

Unions often argue that when a majority of employees in a plant select a union as their representative, the democratic principle of majority rule requires that all

*An address by Mr. Barr before the Beta Gamma Sigma Chapter, Indiana University.

employees should be compelled to join and support that union.

Tolerating Minority Opinion

But majority rule is not the characteristic which distinguishes democracy from dictatorship. We need not go back far in our memory to recall a man named Hitler and another called Mussolini who unquestionably were supported by a majority of their people.

Democracy is distinguished by the toleration and protection of minority opinion. The right to disagree with the majority party is the very essence of freedom.

Union leaders use union shop contracts to entrench themselves in power and to assure themselves complete control over particular groups of workers, just as dictators use secret police and armies for the same purposes. Both have the power to, and do, "liquidate" minority groups.

Several years ago, many employers required their employees to sign contracts in which the employee agreed not to join a labor union. These "yellow dog" contracts are now outlawed by statute—and rightfully so. But now we have the yellow dog contract in reverse, with employers signing contracts with unions which require that employees do join a union. I respectfully submit that the one is just as abhorrent as the other.

Workingmen are entitled to their government's protection against being coerced into a union against their will, just as the government protects them in their right to join a union of their choice. The right to join implies a right not to join. Congress should not continue to guarantee the one right without also guaranteeing the other.

Conclusion

In conclusion, I submit that we have permitted the development of a labor monopoly in our midst. This is a national monopoly which must be dealt with at the national level. The selfish interests supporting it are strong and powerful. No company alone, and not even the governments of our sovereign states, can effectively stem this tide of labor power which has been building for 25 years. It has been nurtured by the Federal Government, and it now must be remedied by the Federal Government.

The anti-trust laws of the country prevent employers from combining among themselves to shut off or lessen the supply of an article which they produce. But the law does not prevent the employees of different employers from combining through unions in a manner which is equally iniquitous to the general welfare. Not only are unions permitted so to combine, but they are permitted to make the combination completely effective through the technique of the union shop agreement. Most of the proposals I have heard for treating with this problem accept the existence of the monopoly but seek to control it. That approach is not sufficient. We cannot prevent the formation of the monopoly—that already has occurred. And it has been permitted to grow too strong for mild restraints to be effective. The need is for action which strikes at the root of the problem, not at its branches.

As one of the nation's leading business papers has editorally commented:

"After Frankenstein created the monster, he was unable to prevent it from destroying him. But he needn't have created it. And if he had been a bit foresighted, he could have dismantled it."

Dismantlement of the monster of labor monopoly will require a "Sherman Act" for labor, as we now have a Sherman Act for business. This must be an anti-trust law so framed as to assure a balance of power between an employer and the collective strength of his own employees in the bargaining process. It must prohibit restraint of commerce by the combination of unions representing the employees of different employers, and by such devices as secondary boycotts, hot cargo clauses, picket line, prohibitions designed to control the transportation of goods, and the like. It must prohibit restraint of commerce by restrictive agreements or understandings between unions and employers, as well as between unions which represent the employees of different employers. It must protect the right of employees to form and join unions, and to bargain collectively, but it must prohibit compulsory unionism.

In other words, just as Congress had power to, and did, destroy the sugar trust, the tobacco trust, and the oil trust of 60 years ago, it has the power to, and should, destroy the labor trust of today.

Do not be deceived into the false concept that support of labor's monopoly power with its destruction of individual liberty and freedom is "liberal" or "progressive." Our leaders in government, in education, in business, and in agriculture must recognize that the true liberal, the true patriot, is he who fights to preserve the individual liberty of our citizens and he who fights to destroy the ugly head of monopoly wherever it may arise.

E. F. Hutton Admits

E. F. Hutton & Company, 61 Broadway, New York City, member of the New York Stock Exchange, will admit Ronello B. Lewis and Charles E. Crary to partnership on Aug. 1. Mr. Crary will make his headquarters in the firm's Tucson office.

From Washington Ahead of the News

By CARLISLE BARGERON

A matter of considerable interest the past few weeks has been the fate of the Soil Bank program, another venture into doing something for the farmer. Several weeks ago, the House cut it out of the agricultural appropriation bill altogether. It was rather surprising because it had only been in operation for a year.

Carlisle Bargeron

But in that time it had engendered a lot of opposition from unsuspecting quarters. Democratic politicians thought Secretary Ezra Benson had made considerable political hay out of it in last year's elections. But more importantly certain business interests were opposed to it. The farmer taking his acreage out of production to the extent that the Soil Bank called for, and getting paid for it, was not buying enough farm implements, enough fertilizer, other things he would have to buy if he were cultivating those acres. A fine economy, said those business interests.

When the House eliminated it in this year's appropriation, it was front page news. Then when the Senate restored it, it was front page news again and still again when the House accepted the restoral.

The Senate, as this is written, has been tied up with monkey business of civil rights and hasn't gotten round to giving the finishing touches to the agricultural appropriation bill. But the assumption generally, or it must be from what the press has carried, is that the Soil Bank is safe and sound.

The fact is that regardless of what the Senate does, the Soil Bank as a means of curtailing production is practically dead. There is money in the bill, about $800,000,000 of it, for the Agricultural Department to just pretty much throw around without accomplishing anything.

But there is an item in the bill generally overlooked that limits the payment to any one farmer under the acreage reserve plan to $3,000 under the House bill, $5,000 under the Senate. It is this difference that must still be acted upon by the Senate. Either figure or one in between destroys the effectiveness of the acreage reserve. This is the phase of the Soil Bank for which farmers sign up from year to year. An appropriation of $500,000,000 is provided. The so-called conservation plan for which farmers sign up for much longer periods is much more limited in its scope. For example, $70 million was paid out under it last year as compared with $600 million under the year-to-year acreage reserve plan.

The appeal of the limitation of payments resulted from the fact that some farmers received $50,000, even $100,000 and more. Congress' concern was with the little fellow, let the big fellows take care of themselves. Quite understandable in politics but not in economics.

It is the big fellows that are needed to cut their acreage if a real reduction is wanted. All the little follows put together can't bring about an effective reduction. Furthermore, their participation in the plan without the participation of the big fellows accentuates the trend which the politicians say is pushing the little fellows off the farms.

The Agricultural Department makes no attempt to disguise its feeling that the Soil Bank is washed up. Perhaps, this wouldn't be too bad if the $800,000,000 was not going to be spent in some way. To have it spent with little or no return in effectiveness in curtailed production is pretty sad.

The fact is that the Soil Bank was forced on Secretary Benson by the politicians. He didn't like it and said so. He resisted it until last year, an election year when the politicians bore down on him.

He is having a hard time adjusting his principles to the demands of politics. The result is that the Agriculture Department is spending more money than ever before, and it is difficult to find anybody anywhere that is satisfied.

In Inv. Business

(Special to THE FINANCIAL CHRONICLE)

RIVERSIDE, Calif. — Southern Commercial Corporation is engaging in a securities business from offices at 3722 Tenth St. Officers are Eugene L. Covey, President; Arthur E. Payne, Secretary-Treasurer; and Leonard H. Brown, Assistant Secretary-Treasurer.

Present Problems and Possible Plight of Local Finance

By C. CANBY BALDERSTON*
Vice-Chairman, Board of Governors of the Federal Reserve System

Reserve Bank points out that current mass prosperity has created severe problems of financing State and local governments. Offers statistical demonstration of result of lesser harm to borrowers from higher money than from the alternative of rising prices from inflation. Maintains nation's financial health requires that its spending be held below what it earns through production; that its private investment be restricted to the available savings, with public investment geared to tax payments, and that both Government and private spenders exercise prudence in their spending choices.

The longer the present plateau lasts with its high employment, high prosperity, and high and rising prices, the more worrisome become the problems of financing State and local governments. Mass prosperity has created for municipal finance officers an immediate but not insoluble problem. It has also brought into being a serious threat to the functioning of local governments.

C. Canby Balderston

The current financial problem is alleged to stem from so-called "tight money." Money is "tight" in the sense that the aggregate demand for money and credit is greater than the supply. Though the money supply increased last year in this country by 1% and its activity (i.e., demand deposit turnover) by 8%, the demand for money and credit mounted still faster and pushed up the interest rate, which is the price of money. What was true of credit has been true of other commodities, particularly those in short supply, such as metals and metal products, not only in this country but in others.

To have pumped short-term bank credit into the credit supply would not have made human and material resources more plentiful, but it would certainly have boosted prices still further. This gap between our desire to spend and what we can actually produce, and between our desire for capital improvements and what we manage to save to finance these improvements creates a problem.

Problem General

This problem is not unique to State and local governments. It confronts businessmen, consumers, and the Federal Government. Of the increase of $22 billion in total expenditures for gross national product last year, more than half represented price rises. In the scramble for resources to build new plants, houses, schools, and roads, demands have outrun supplies, and the prices of all of our resources have been bid up. Similarly, demands for funds to finance expenditures have outrun the available supplies of savings, and the price of long-term funds has increased for all borrowers.

The Rise in Interest Rates

As you know, interest rates on State and local securities have risen sharply. This rise is shown by Figure I. The higher costs of borrowing may have received a disproportionate share of public attention in view of the relatively small part that interest plays in total municipal and State expenditures. Figure II indicates that interest accounted for only 2% of these total expenditures in the calendar year 1955, the latest year for which data are available. This percentage was less than in 1945, or in the years just prior to World War II. Interest has increased less in the past decade than have other types of expenditure. Nevertheless, most of the publicized efforts to solve the problem of inadequate resources for local government have centered on this 2% rather than on the high and rising costs of the other 98%. To met this approach is incorrect. The potential plight of municipal finance arises not out of increased costs of borrowing, but out of growing costs of current operations and of enlarged capital expenditures.

Perhaps only a few would argue that the problem would be solved by making credit available to meet all borrowing demands. Yet, a subtle, insidious version of this argument is gaining some measure of acceptance. This version rejects the easy availability of credit that would invite massive inflation, but suggests that we can tolerate enough credit expansion to permit a "mild" price rise of, say, 2 or 3% a year. Aside from what such a national policy would do to savings in the form of pensions, insurance policies, savings bonds, and bank deposits, what would such a policy mean to the cost of carrying municipal debt? Suppose we examine this question in the abstract by considering two alternatives for the year 1965: (a) one with interest rates held at current levels of about 3½%, but at the expense of an annual price rise of 2½%; (b) another with prices held stable at current levels by monetary restraint which would increase borrowing costs to 5% per annum. To make the example explicit, assume a physical volume of capital outlays roughly one-half above the present level.

Alternative of Creeping Inflation

Under alternative (a), that of creeping inflation, the 1965 capital outlays would cost about $4 billion more in total debt service than if prices were to be prevented from rising. Under alternative (b), that of stable prices, total debt service would be $2.6 billion less than under assumption (a), because the higher interest rate would have been applied to a smaller base. Under these assumptions, sound money would actually save almost one-seventh of the capital budgets assumed for 1965. This comparison is shown in Figure III.

No one likes to pay higher prices, of course, whether for money or for anything else. For many years, State and local governments were "preferred" borrowers, paying interest rate substantially less than others because their interest payments carried the boon of tax-exemption. And so in the early postwar years, high-grade municipal bonds yielded from 1 to 1½ percentage points less than corporate issues of comparable quality. This is illustrated by Figure IV. Despite today's high tax rates, this premium is a less effective inducement than is was earlier. The scale of State and local borrowing appears to have outgrown the market that is willing to trade a substantially lower return for the tax-exemption privilege. When this borrowing demand reaches $5 to $6 billion a year, and other competitive demands are strong, municipalities must tap not only their customary market, but also attract new investors. However, the largest pool of institutional savings available for long-term investment—life insurance and pension funds—is not likely to be much attracted by tax-exemption features. State and local governments, consequently, have had increasingly to compete

*An address by Mr. Balderston at the 51st Annual Conference of the Municipal Finance Officers Association of the United States and Canada, Saint Paul, Minn.

Figure 1

STATE AND LOCAL BOND YIELDS

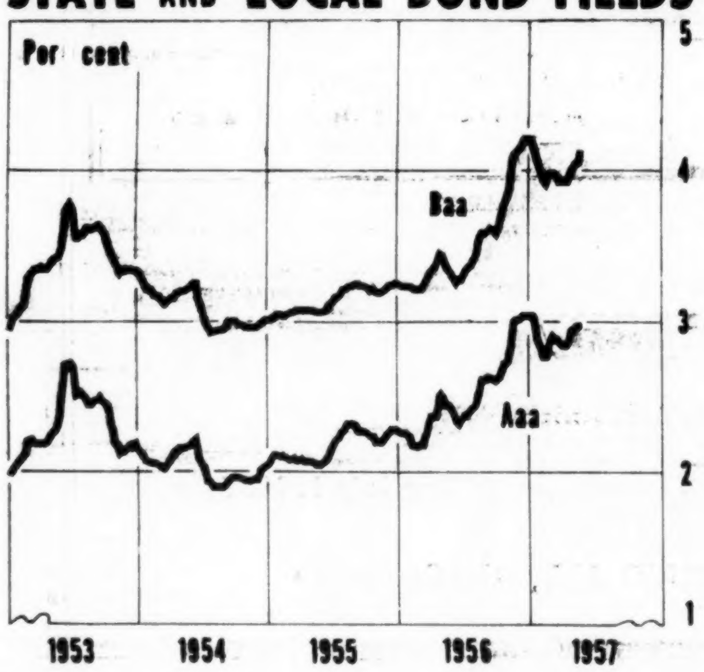


Figure 3

ALTERNATIVES

	A At present interest cost but with prices rising 2 1/2 per cent a year	B At present prices but with interest cost of 5 per cent
	Billions of dollars	
CAPITAL OUTLAYS IN 1965		
physical volume one-half greater than 1956 actual	19.9	15.9
INTEREST COST OVER 30-YEAR LIFE OF SERIAL LOAN	10.5	11.9
TOTAL DEBT SERVICE	30.4	27.8
'SOUND' MONEY WOULD SAVE YOU		2.6

Figure 5

MUNICIPAL SECURITY ISSUES

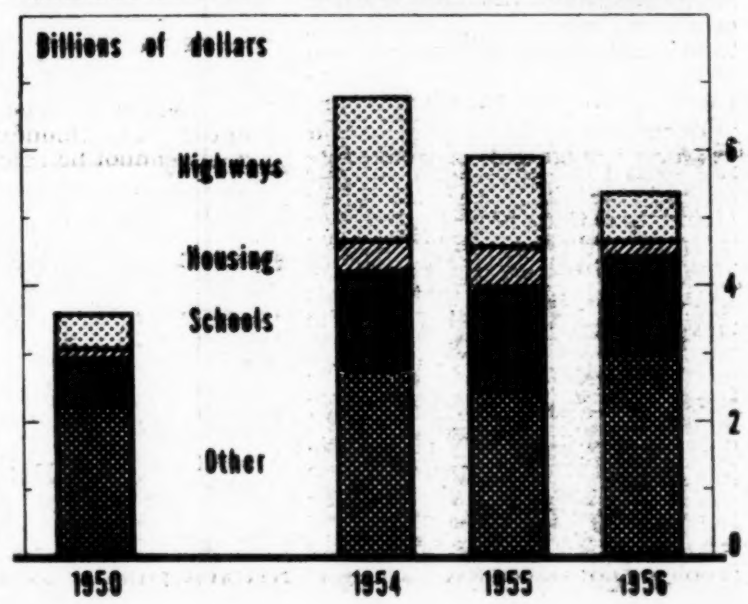


Figure 2

STATE AND LOCAL EXPENDITURES

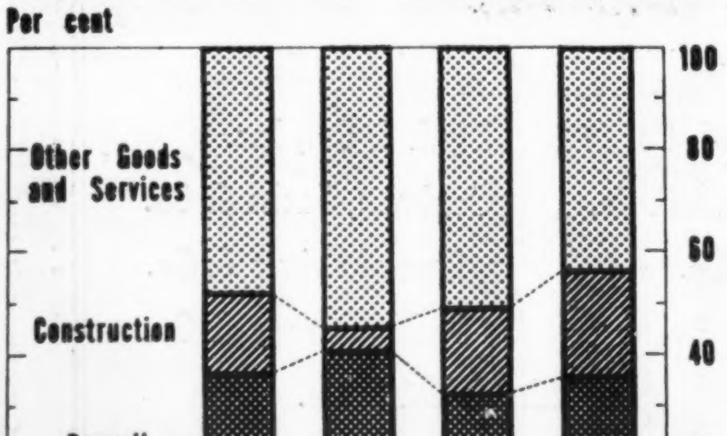


Figure 4

YIELD SPREADS

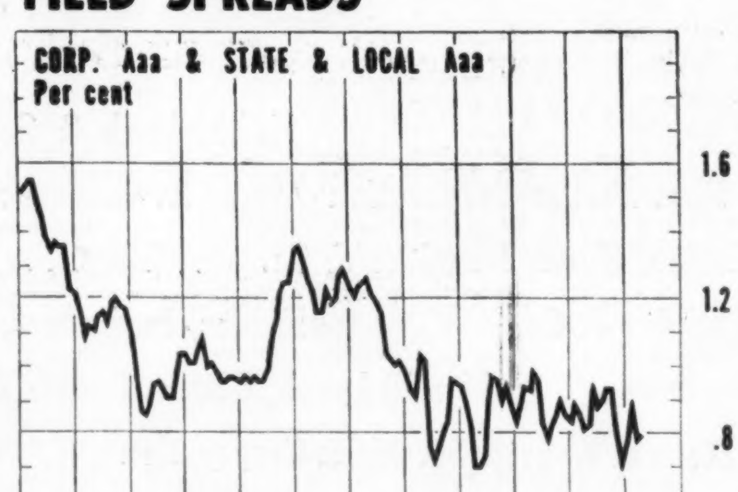
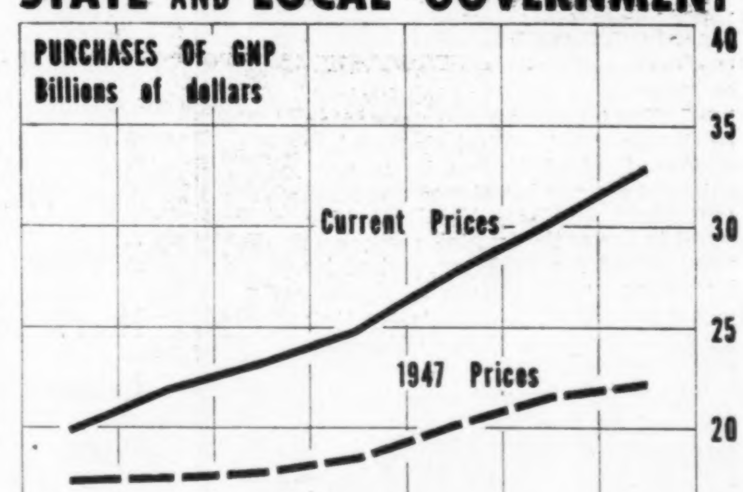


Figure 6

STATE AND LOCAL GOVERNMENT



for funds on a straight rate basis. Since 1948 the spread between corporate and municipal bonds has tended to be smaller than in the immediate postwar years, but despite the rise in interest rates has recently remained unchanged.

By maintaining their competitive status in the money markets, State and local governments have continued to attract a large volume of long-term investment funds. It is true that last year the volume of issues floated to finance capital outlays declined somewhat, but as Figure V indicates, almost all of the decline was in long-term financing for toll roads and public housing. You will recognize that influences other than interest cost helped deflate the earlier enthusiasm for toll road projects. In the financing of public housing, the decline in bond flotations was offset by an increase in short-term financing. In 1956, long-term financing for other purposes was maintained at the large volume of the year before.

Postponements and Re-Flotations

Although postponements because of market conditions have attracted much attention, little note has been taken of the successful flotation of many of the same issues when they were brought to market again. A survey made by the Investment Bankers Association indicated that about 120 issues, aggregating $175 million, were not sold on originally announced flotation dates during the third quarter of 1956. The subsequent history of these postponed issues is that by the end of that year, three-fifths of the number and two-fifths of their dollar volume had been sold, and many more were marketed later on. In some cases, the reoffering was completed at rates below those rejected earlier. By adapting terms to meet investor requirements, and by timing security flotations to the ebbs and flows of funds in capital markets, finance officers have been able to finance a large volume of municipal needs.

To secure detailed information underlying aggregate national figures for such financing, the 12 Federal Reserve Banks have recently surveyed the developments in their districts. Some regional differences were disclosed, of course, but the reports were unanimous to the effect that where borrowers were free of arbitrary limitations of interest rates, they were able to get the financing they needed. The survey confirms the findings of earlier studies that small governmental units of respective credit rating were, in general, not subject to discrimination in the market: Allowing for local problems not associated with monetary policy, school financing was as successful as borrowing for any other purpose. A growing awareness of the need to restrict expenditures to essentials has stripped "frills" from some projects.

Now I turn to the possible plight of the governmental units you represent. The threat to their effectiveness is deep-seated and insidious. It is definitely more significant than the current problems of financing new projects because it has to do with 98% of your total budgets. I refer to the tendency during recent times for expenditures to outrun income.

Current expenditures of State and local governments have risen greatly and have required more taxes. Returns from only certain kinds of taxes have increased automatically with the growth of the economy, and it has proved difficult to keep the tax bases current. Both population growth and population movement have aggravated the problems of some governmental units. Those with abnormal gains have faced the most severe problems, but even those areas that have suffered relative losses of population have experienced their own special difficulties.

Financial Facts

Here are a few financial facts that concern you. State and local government purchases of our goods and services (i.e., G.N.P.) amounted to $33 billion last year, a 10% rise from the previous year and two-thirds larger than the level of expenditures in 1950. These are impressive increases, and if one forgets about price-level problems, it would appear that we are making substantial progress in meeting our needs for schools, highways, and other community services. But correct the increase for rising prices, and the picture is vastly different. The contrast is shown in Figure VI. In other words, the number of dollars spent has increased substantially, but the real gain in schools, highways, and other facilities has been far less than the dollar figures appear to indicate.

The reasons for this are obvious. . . . Average wage payment per employee of local and State governments, still moderate, has risen two-fifths since 1950. The cost of building construction has increased over one-fourth, and highway construction costs have risen almost as much. These higher costs are embodied in the debt that has had to be incurred to finance capital improvements. In fact, a substantial share of the debt service charges paid out of tax receipts over the next 15 or 20 years will reflect the inflation of costs since Korea.

Since prices have already gone up substantially, you might ask about the effectiveness of Federal Reserve Monetary policy. Has the increase in interest cost that has occurred been in vain? Perhaps the most persuasive answer is to suggest what would have been the course of events if the Federal Reserve had not curbed the expansion of the money supply, but had continued to give banks additional reserves whenever they desired them. I shudder to think of the outcome. The results of pumping new money into the economy cannot be calculated with precision, of course, but I am confident that by now we would have experienced much more serious inflation. Consequently, the 98% of your budget which most concerns you would have ballooned still more.

Communities can progress only if the purchasing power of the dollar is protected. Otherwise their expenditures rise without commensurate social gains. Sound money is not and cannot be in conflict with social needs; it is essential for human progress. This explains the policy of monetary restraint pursued by the Federal Reserve since mid-1955, directed toward restraining an incipient inflation.

The Shared Responsibility

Local and State governments share this responsibility, and will achieve the gains they desire only if the dollar is kept stable by sound monetary and fiscal policies, combined with prudence by those who make spending decisions. The continued progress of our society and its growth in well-being thus depend upon the financial health of the nation. To that end, certain rules need to be observed:

(1) The nation's spending must not exceed what it earns through production.

(2) The nation's private investment must be broadly restricted to the savings available, and its public investment chiefly to what it is willing to pay for through taxes.

(3) Governments—State, local, and Federal—as well as private citizens must be selective and prudent in their spending choices if aggregate demand is not to press unduly upon the nation's resources. In boom times, everything that governments and private citizens desire cannot be secured right away. The effort to do so merely invites inflation—the destroyer of savings and of social progress.

In common with other Americans, municipal finance officers are in the midst of a battle—the battle against inflation. The Federal Reserve is, of course, at the center of that battle. Despite restrictive monetary policy, the consumer price index has just moved up again; without restraint the rise would undoubtedly have been much greater. This continued rise emphasizes why the loss of that battle would mean much to the proverbial widows, pensioners, and others whose compensation is fixed. But following close behind in this procession are those, like your governmental units, whose costs increase faster than their incomes. In this unequal race, they can scarcely win.

Link, Gorman Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Casimir M. Wojcicki has become associated with Link, Gorman, Peck & Co., 208 South La Salle Street. He was formerly with Barclay Investment Company.

With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

STOCKTON, Calif. — Francis J. Banchio is now with Harris, Upham & Co., 25 North Sutter St.

Robt. Allen Joins Alex. Brown & Sons

The investment banking firm of Alex. Brown & Sons has announced that Robert D. Allen is now associated with their New York office, 2 Wall Street. He was formerly Vice-President of Aubrey G. Lanston & Co., Inc.

With Crowell, Weedon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Raymond A. H. Brandt is now with Crowell, Weedon & Co., 650 South Spring Street, members of the Pacific Coast Stock Exchange. He was formerly with William R. Staats & Co.

Tapping a Growth Potential To Assure Business Progress

By ALLEN W. RUCKER*
President, The Eddy-Rucker-Nickels Co., Cambridge, Mass.

A leading management consultant advises manufacturers to establish broad growth targets to measure output performance, personal progress and income growth, and to improve efficiency of labor utilization. Perceiving a manufacturing long-term growth four times faster than available labor man-hours, Mr. Rucker finds this means industry must obtain three-fourths of its total output by improving man-hour productivity with the remaining one-fourth of added output to come from additional employees. To achieve greater labor cooperation in order to make the most of added capital investment, the author recommends extending incentive programs to cover all labor and to include conservation of raw materials, supplies, power, etc. Believes this should help overcome labor-capital shortages, aid employee morale, and permit the average firm to double its dollar value of production in 11-12 years.

Everyone is doubtless fully conscious of the marked acceleration in our population growth during the past decade. Much has been written and said of its effect upon the future growth of industry. And of course everyone is fully conscious of the possibilities of nuclear fission, electronics and automation; everyone is aware of various "growth industries" and "growth firms."

Allen W. Rucker

Have you, however, translated all this into figures that will give you a concrete target and an objective for **your own firm's growth** and your own advancement? Where should you be five, 10 and 20 years from now?

Without some quite specific figures and definite goals, I believe that the full significance of productivity improvement to our business future cannot fully be appreciated. Let me pin this down a little more specifically.

If your firm grows and expands at the average long-term rate for all manufacturing industry, it should double its size and its output in 18 to 20 years. This is because the increase in the total number of manufacturing establishments is at an infinitely slower rate than the increase in the total national industrial output. Over the past 40 years, the growth in the number of manufacturing establishments has averaged only about one-eighth of the growth rate in the total volume of output. Seemingly, at the moment, the future growth of industry will be shared seven-eighths among firms already in existence and about one-eighth with new firms. This tendency toward the growth of existing firms rather than of new firms has enormously favorable influence upon your business and your personal advancement and future income.

Target Growth Objectives

If we want to express this growth prospect in terms of dollar sales, we need to add to the rate of physical growth the long-term rate of price advances. When that is done, an average firm should double its dollar value of production, its Production Value, in 11 to 12 years from now; five years from now you should be about 40% above today's level.

With due allowance for certain inherent differences among individual-industry grwth rates, these figures will give you at least a broad target for future accomplishment. They will also set up the executive challenge and lead to an examination of some of the obstacles that must be surmounted in order to achieve these objectives.

As I see it both here and in other countries, executives will have really to earn their laurels and their progress, largely through ability to win the coperation of your fellow-workers in making your goal their own goal. This cooperation will be needed from superiors and equals, and from subordinates, especially subordinates in the shop. I mean from what is generaly termed "labor," including both direct and indirect plant labor.

The reason is quite simply stated: the long-term growth of manufacturing output in this country is almost four times as fast a rate as the growth in available man-hours of labor.

Sees Little Labor Growth

This means that, on the average, industry has and must continue to get three-fourths of the increase in its total output by an improvement in the efficiency of labor utilization, in brief, by an improvement in productivity per man-hour. We can expect no more than one-fourth of our added output in the future to come from additional employees; three-fourths and maybe more must come from improvement in technological productivity per man-hour.

We are going to need, indeed we need now, a great increase in the cooperation of labor in order to make the most of added capital investment per worker, and of better methods of work. We need the understanding of our future growth prospects on the part of labor, an understanding that becomes the basis for teamwork throughout the plant. That is why I have said that future progress will depend heavily upon the cooperation of fellow-workers, especially of subordinates down to the lowest-rated job in the plant.

Between now and 1965, the progress of your firm may be almost critically dependent upon your ability to meet this challenge. Let me tell you why I think so, and then tell you what you can readily do to supplement your leadership.

Back during the 1930's our national birth-rate fell to its lowest levels in history. It was not until 1942-1945 that the birth rate began to accelerate. The babies of those and subsequent years will not join the labor-force until about 1963-1965, and it will be at least 1965 to 1970 before the ranks of labor will begin to increase at a rate comparable with population growth.

Even then we have no assurance that we shall be greatly better off, at least in manufacturing industry. We have to take into account the demand upon the new labor supply of all forms of government, both for military as well as for administrative man-power, and of the service industries. We have to take into account the extended years of education — a steadily declining percentage of young people enter the "labor force" at the legal limit, age 16. Instead, they are going on to high school and to college and then to technical schools. This is not only socially healthy but technologically imperative. But in the meantime, industry must expect a continued "labor-shortage" for 10 and perhaps 15 to 20 years in the future.

Must Meet This Challenge

As I see it, we shall more and more urgently need to win the understanding, the cooperation and the teamwork of the employees we have. At no time in our national history has this challenge to executive leadership been so great, nor the rewards so high for those who can meet it. Fully three-fourth of future growth of output will be dependent upon how well we meet that challenge in the next few years.

Concurrently with these restrictions upon the growth of the labor force are growing restrictions upon the man-hours worked per year by the employees we have. With a comparatively short time, two-week vacations have become almost universal, and with them a growing percentage of employees with three or even four weeks vacation. A two-week vacation cuts yearly man-hours on the job by 4%; three weeks reduce the work hours 6%. Six, eight, 10 or more paid holidays reduce the man-hours per employee per year by another two, three or more percent, from the legal straight-time limit of 2,080 hours per year. It is probably not too much to say except that in the next five years somewhere between 8 and 10 or perhaps 12% of our potential man-hours will be definitely non-productive but paid hours. It well may be more. Some firms have already reached that position.

All of the foregoing means, in summary, that in terms of **man-hours on the job** we cannot expect to increase our employment in manufacturing an average rate of more than 1.0% yearly, and I suspect it will be at a lesser rate than that for eight to 10 years in the future, perhaps for longer and possibly for as long as we live. Nonetheless, if we are to capitalize on the opportunity for doubling the size of our businesses within 18 to 20 years, and our dollar Production Value output within 11 to 12 years, we must grow at **four times the rate of the gain in employment man-hours.** I cannot over-emphasize this basic fact, and its critical challenge to your business leadership and managerial ability.

Improving Labor Productivity

Herein lies the true meaning and significance of improving employee productivity. Your business growth and your own future advancement depend upon your ability to bring about improved productivity at a far faster rate than ever before.

The executives who see this clearly are destined to become tomorrow's front-rank leaders and the firms fortunate enough to have such executives will become tomorrow's leaders of their industries.

In order to achieve these goals, I believe we shall have vastly to expand the "incentive potential" in our businesses. As useful as are many individual-worker incentive plans, the fact is that their coverage is limited as a rule to not more than 30% to 60% of all hourly-rated plant labor. Much direct and nearly if not all indirect labor are excluded. Management, therefore, loses the gains

Continued on page 33

*An address by Mr. Rucker before the Sixth Annual Executives Conference On The Rucker Plan, Philadelphia, Pa.

Connecticut Brevities

The Connecticut Development Commission recently published an analysis titled "Connecticut Market Data." The book contains a variety of information relating to Connecticut's favorable location in relation to the nation's markets, and relating to the state's income, production and growth. Among the interesting figures included therein are: the per capita income of $2,499 is 35% above the national average of $1,847; the population of the state has increased by 15% since 1950; and Connecticut has led the nation for each of the past five years in effective buying income per family. The state average effective buying income per family, that is the amount left for spending after payment of Federal income taxes, was $7,035 in 1955 against the nationwide average of $5,465.

* * *

The Stanley Works Company has dedicated its new steel strapping factory, located in New Britain. The one-story building contains 137,500 square feet of floor space and together with equipment represents an investment of over $2 million. The additional space will be used to house all of the company's IBM machines and all production facilities for seals, box fasteners, and hand and power strapping tools. It is estimated that about 100 additional employees will be required for initial operations at the new plant.

* * *

A new plant has recently been opened in the 36 acre **Windsor Industrial Park.** The new 34,100 square foot plant will be used as an office and warehouse by **Whitehead Metal Products, Inc.** The park is located with somewhat over a half-mile of frontage on the Hartford-Springfield Expressway and has been designed to promote an attractive industrial utilization of land. All buildings must be set back at least 35 feet from streets and a minimum of two-thirds of areas between buildings and streets on which they face must be planted and landscaped. No shipping facilities with front on streets and no unattractive open storage will be permitted.

* * *

The Sikorsky Aircraft Division of **United Aircraft Corporation** has commenced construction of an addition to its helicopter plant in the Oronoque district of Stratford. The new addition to the present plant which was constructed in 1953 will cost about $3.5 million, not including an additional million for electrical and plumbing work. Approximately 7,000 are now employed at the present plant.

* * *

The Hartford Electric Light Company has applied to the Connecticut Public Utilities Commission for permission to sell $15 million of Thirty-Year Debentures, 1957 Series. The proposed bonds will have a coupon rate of 5% and will be placed privately. Proceeds will be used to repay bank loans which are estimated to aggregate $9 million by the closing date on Aug. 15 and in connection with the Company's construciton program estimated to amount to $12,164,000 for the 1957 year.

* * *

The Connecticut Light & Power Company has revised upwards the size of the initial unit of its proposed steam generating station at Manresa Island, Norwalk, from 100,000 kilowatts to 150,000 kilowatts. The cost of the initial unit is estimated at about $25 million and it is hoped that the plant will be completed and in operation in 1959.

* * *

Kaman Aircraft Corporation has won an Air Force competition for development of a crash-rescue helicopter from 7 other competing companies. It is expected that deliveries of the new rotary wing aircraft, known as HOK-1, wil begin in 1958. The plane carries a rescue crew of three in addition to the pilot.

Bruce Bales With Danforth Field Co.

SAN FRANCISCO, Calif. — Bruce A. Bales has been appointed the Northern Representative of Danforth Field Company, 315 Montgomery Street, Western Distributor of Wellington Fund, Inc.

Mr. Bales is an experienced securities man. He was formerly associated with the Spokane office of J. A. Hogle & Co. and the Portland office of Zilka, Smither & Co., Inc.

Mr. Bales will be responsible for the general distribution, through investment dealers in Oregon, Washington, Idaho, Utah and Montana, of Wellington Fund, Inc.

With Eastman Dillon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Leonard G. Gover has joined the staff of Eastman Dillon, Union Securities & Co., 3115 Wilshire Blvd. He was formerly with J. Logan & Co.

Joins First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harold J. Pandzic and Edgar C. Rector have joined the staff of First California Company, 647 South Spring Street. Mr. Pandzic was formerly with Fewel & Co.

Joins Reynolds Staff

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Jay C. Germain has joined the staff of Reynolds & Co., 919 Tenth St. He was formerly with The Curran Company and Richard A. Harrison.

Dempsey-Tegeler Adds

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—John E. Usher has been added to the staff of Dempsey-Tegeler & Co., Farmers & Merchants Bank Building.

With H. L. Jamieson

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—Valerie W. Mulligan is now with H. L. Jamieson Co., Inc., 1419 Broadway.

Coal Faces a Challenge

By L. NEWTON THOMAS*
President, National Coal Association
President, Carbon Fuel Co., Charleston, W. Va.

Castigating Federal policies for having assigned coal to a "Cinderella role" by favoring competitive oil and natural gas, coal producers' head calls for more equitable treatment by revising percentage depletion structure upward and the elimination of transportation tax on coal to help maintain a reasonable price to the consumer. Proud of coal's economic contribution and future, Mr. Thomas attacks bottleneck caused by car supply and motive power; reiterates recommendations made by Presidential Advisory Committee on Energy Supplies; and demands intensified research and engineer recruitment.

Prior to World War II, the coal industry began to be looked upon as a sick or dying industry. After meeting the immense problem of powering the national war effort when other fuels were in very short supply, this view became more widespread. This view was largely a psychological one and not entirely realistic and factual. It was widely held by the public generally. Even some members of the industry and officials of some of the coal-carrying railroads and other industries gave it added impetus.

L. Newton Thomas

That view largely had its inception from the rapid changes in the fuels economy evidenced by the almost explosive expansion of the transmission of natural gas with its consequent utilization in both space heating and industrial steam raising. In addition, the rapid acceleration of excessive imports of crude petroleum and residual oil played a substantial part. Further, the rapid invasion of the two competitive fuels into two of coal's principal historic markets, railroad locomotive fuel and domestic space heating, reduced substantially the consumption of coal.

The rapid rise of requirements for coal in the generation of electric power did not evidence itself immediately, nor did the increase in the requirements of coking coal to be used in steel make its sudden appearance. The same might be said with somewhat less significance in the requirements of coal for certain general industrial uses and cement, chemical and other plants. Incidentally, it may now be said those markets, in which future growth can be anticipated, constitute more than four-fifths of the total market for coal.

Few industries have been the target of so much unfavorable publicity. Few have labored under such uneven economic odds, depressed markets, higher costs, declining prices. Few have had their problems so completely disregarded by government (even to the point of casting obstacles in the way).

Productivity Growth

With declining markets, lowering production (631 million tons in 1947; 392 million tons in 1954), advancing wages and freight rates, coal was in a triple squeeze. While this was going on, those in the industry with faith in its future were planning the ways and means of meeting these problems and working hard to get the industry on a sound and stable basis. At the mines, by making huge investments in machines and plants, changing operating methods, training men in the new procedures and with the cooperation of labor, amazing advances in productivity were realized. During the 1947-55 period national productivity rates in bituminous mines doubled that of other American industry.

After advancing wages eight times from 1947 to the present, coal prices are today lower than in 1948.

While there was some factual background for the mass semi-hysteria concerning coal's poor physical state, the facts were never as bad as the public and some of the industry thought. What was needed and what has been partially done over the past decade is the awakening of the public and certain elements of the industry to the realization of the true facts—demonstrating beyond successful contravention coal's importance to the nation's economy—which, in turn, changed the psychology to a substantial extent.

Too much cannot be said for the courageous and farsighted leadership of executives of the industry and National Coal Association during those trying years. The forward-thinking and determined leaders and hard-working committees of NCA gave unselfishly of their time and talents to impressing on the nation, the executive and administrative branches of the government and the Congress the importance of coal as a fuel and the industry as a vital segment of our economy. A dedicated, alert and hard-working staff at NCA headquarters served as watchdogs and furnished valuable ammunition and assistance unceasingly in this long uphill fight.

Prospect Ahead for Coal

The result is today the industry faces the future with greater confidence than for many years.

There is a better understanding in Washington of coal's problems and importance. Textbooks, encyclopedias and all kinds of reference publications have been brought up to date to show coal's technological progress. The public and press are better informed of progress in the industry and the services it performs.

Now this is not to say that the picture is so rosy that all we have to do is to rest on these fine accomplishments and watch orders and profits come in. Far from it. We will still see slumps in our markets. We are having one now. Our competitors are still aggressively working in the markets. Large segments of the public, particularly those of high school and college age, are unaware of the opportunities and challenge in our industry. Many people are still uninformed of its importance to our economic life, the progressive men working in it, and and tremendous contribution it has made, in both war and peace, to our nation's progress, unassisted by government. The job is not yet, nor likely will it ever be, completely accomplished although the industry, NCA and allied coal associations will remain constantly aggressive in this endeavor. The task begun several years ago will be continued and, I am sure, given added impetus in the succeeding years.

This brings us to the theme of this discussion—that coal faces a challenge to continue with emphasis the effort that is and has been in progress to overcome the obstacles, both physical and psychological, that still exist.

Coal's importance to the nation's economy has been proven twice in this generation by its response to the call for greatly increased energy. Its importance will be emphasized more and more in the future by the continued contrast in the reserve life index of gas, now measured in two decades, and of oil, now measured in teens of years, and that of coal, measured in millenniums. Coal has a tremendous responsibility to itself and to the nation in meeting the challenge.

The industry has the responsibility to maintain a continuity of supply at fair and reasonable prices to the consumer with a fair and reasonable profit to the industry.

Coal recognizes that competitive fuels, oil and gas, and possibly at some indefinite and unforeseeable date in the future, peaceful uses of atomic energy, have their proper place in the fuels economy of the nation.

Coal recognizes that it has been the Cinderella in the family of fuels to the favored sisters evidenced by government's policies which contributed to consigning coal to the "mop up" job as a standby fuel in times of stress.

Wants Equitable Depletion Allowance

The competitive sisters are favored by a more realistic percentage depletion allowance. They are not alone in this advantageous position. Practically every extractive industry receives more beneficial treatment in this respect, including bauxite, fluorspar, graphite, lead, manganese, nickel, zinc and all other metal mines, and certain types of clay and stone. Coal must receive more equitable treatment by an upward revision of its depletion structure.

Again, natural gas and imported oil have no transportation tax comparable to coal's four cent per ton. This tax should be eliminated to help maintain a reasonable price to the consumer.

Coal must improve its marketing methods in order to establish and maintain a fair price for its product for the purpose of developing a capital reserve with which to increase present productive capacity as the rising demands for fuel energy continue to grow. Considering the fact that it requires \$10-\$12 per annual ton of capacity to build and equip a modern mine, that old mines working out must be replaced and increased capacity created, it is apparent that a huge amount of capital must be generated in the near future. Only healthy earnings which bring a reasonable return on present and prospective investment can accomplish this.

The industry employee, whether management or labor, must recognize:

(1) That delivered prices in a competitive fuels economy influence greatly coal's position in the marketplace.

(2) That wages are 60% or more of the cost of production.

(3) That each successive improvement in methods of production to reduce such costs is a proper source from which to derive, in part, the funds required for the purposes stated above and not necessarily to be wholly dedicated to employee benefits.

The new BCI program is making great strides in bringing sound engineering principles into play in expanding and upgrading coal's industrial, commercial and retail markets. NCA's engineering staff has done an excellent job in government fuel-burning establishments, working constantly with the military, Veterans Administration, Government Services Administration, Post Office Department, and many others.

Urges Advanced Engineering Practices

If coal is to compete adequately with oil and gas, it must continue to make use of advanced engineering principles, technical skills and the rapid improvement in mechanization and automation. This points up two important jobs ahead — research and education. Research in our industry has received less than adequate financial support. Most of our largest industries have proven so conclusively that progress and earnings are so closely related to the research dollar that a larger percentage of the sales dollar will be spent for that purpose in the future than has even been spent in the past. There must be intensified research in production and preparation equipment and new uses for the product, both in raw and converted forms, including, of course, high Btu gas, liquid fuels, lubricants and many others.

A large part of the success in both better operating procedures and research will be determined by the number of technically trained men we attract to our business. Most industries need these same men so the competition is keen. Our engineering colleges can train more men than they are enrolling. One trouble is not enough of us are telling high school boys and their teachers about it. We need seriously to get our story across to high school faculty and students. We need more vocational training, science and mathematics in high schools. We have a very diligent committee doing this work but here is where we can all get into the act. I am satisfied that the posibilities of ingenuity, resourcefulness and aggressiveness paying off, not only in personal earnings but in quick notice from the top officials are greater in our industry than in most of the others.

As a part of the over-all program, the industry must continue to promote safety by education of the production personnel into the vital necessity for and benefits derived from better safety practices as well as new and improved safety devices of all kinds. There is no more important phase of our mining operations.

The industry must continue with greater emphasis its efforts to impress the right people in the proper places that a reasonable delivered cost is essential to the maintenance of an adequate supply at economic prices. This may be directed to transportation costs which, in some instances, are more than half the delivered cost of the product and in multiplied hundreds of instances more than one-third.

Means must be found to halt the pattern of piling a new increase in transportation rates over the preceding one almost before the ink is dry on the latter.

Existing Bottleneck

While coal's productive capacity can be increased by a reasonable percentage within a respectfully short time, a serious bottleneck in the continuity of supply at reasonable prices is the lack of ade-

Continued on page 27

*An address by Mr. Thomas before the 40th Anniversary Convention, National Coal Association, Washington, D. C.

THE MARKET . . . AND YOU

By WALLACE STREETE

Although the industrial average worked to within about a quarter point of its record high of 1956, getting through the congestions proved to be a tough chore with plenty of stock available as it approached the historic peak.

* * *

Persistent easiness in the aircrafts was as responsible as anything for chilling enthusiasm and stalling the advance. Even at times when some of the plane shares were trying to rally, others in the group continued to slide into new low ground for the year and helped snuff out the rallying attempts by the more buoyant items.

Motors Reach New Highs

Motors worked higher for a change, Chrysler and General Motors both pushing to new peaks for the year. But it was laborious going for them, too. The perennial skyrocket, Superior Oil of California, raced to the $2,000 level on a few fat gains that added up to price appreciation of more than $300 in several days of trading. It is the first $2,000 tag seen in some 30 years.

* * *

Oils generally were the stalwarts for the first half of the year. But some price uneasiness that cropped up in fuel oils seemed to call for a new appraisal and the group settled into backing and filling that left the field open for a new group leader to emerge for the second half of the year.

The commotion in Revlon and Schering, started when Revlon took on a sizable bundle of the drug firm's stock, ran out of steam and both gave ground rather easily when any profit-taking appeared.

A Standout

General Tire was a standout in its group but not because of any great industry expectations in the tire line. It was more in response to some spirited soaring by its subsidiary, Aerojet General, in the counter market. The latter, available a week or so ago at around $300, reached $400 asked this week.

* * *

Even the somewhat excessive interest in the high-energy fuel field was calmed down a bit by general market irregularity and Olin Mathieson, U. S. Borax and American Potash went in for mundane market life.

* * *

Du Pont, after a rather protracted correction, worked back over the $200 line, posting some new highs for this year but still a bit short of its 1955 peak of nearly $250. Also in the laggard category, against the performances in previous years, is Coca-Cola which sold higher in every single year in the last decade than it has this year including its 1946 bull market peak of $200 which is almost double the level at which it has been hovering recently.

No Reason for Gloom

Continental Can, whose chairman had forecast a decline in profit for the first half of this year, issued its report and the "decline" came to only nine cents a share with the prospects that this would be made up if the promising second half lives up to expectations. Despite the slight dip in earnings, the $1.68 reported for the first half goes most of the way toward covering the $1.80 annual dividend which offers a yield of around 4% at recent prices.

Strong Potential

A new outfit that has yet to show its full mettle is Harris-Intertype Corp., put together late last month out of Harris-Seybold and Intertype Corp. On a pro-forma basis the merged company is about the most diversified maker of printing equipment and supplies with a $60 million sales potential for this year and the possibility of showing earnings of better than $4 a share. This would cover twice over the $2 indicated dividend which offers a yield of around 5.7%. The stock has been hovering around its $34-35 book value and has moved narrowly, carving out a range of a mere half dozen points so far.

* * *

Rails that didn't have the psychological barrier of a record peak to contend with were able to shrug off the industrial seesawing and even, at times, show modest strength in the face of selling elsewhere. The long neglect that fell on this division is largely the reason why some of the better yields available are found in this group.

Two Attractive Rails

Denver & Rio Grande Western is in the better-than-5% bracket and, unlike the other carriers, has not been reporting declines in revenues or net operating income. Rio Grande has another facet that is sometimes culled out as attractive—the company reacquires its own stock occasionally. In the first five months of this year the number of shares outstanding was trimmed by 30,000. The road is also something of a candidate for a dividend increase since its annual requirement was covered by results for the first five months.

* * *

Baltimore & Ohio is also in position where dividend liberality would be justified eventually. Last year the company boosted earnings more than $2 to $10.85 and income for this year is projected at around $11 on present rates with perhaps at the rate of $4 annually if a 5% freight rate increase is handed down. The company has hacked away mightily at its debt structure in recent years, the $135 million reduction in the last five years trimming some $6 million from interest charges.

* * *

Eventually B. & O. is aiming at cleaning up about $25 million in its own income bonds either through the debenture exchange offering that runs until early next month, or otherwise to lift present restrictions on use of its earnings. This could free additional moneys for the road. The current dividend rate is half a dollar quarterly, with a possibility of a year-end extra and, in time, a higher quarterly rate.

High Yields on Steel Stocks

Steel shares, too, offer some of the higher yields around, running between 4 and 5%. Crucible Steel which is in the thick of the broad trend toward wider use of stainless steel offers better than 4½% on its recently increased payment. The indicated $1.60 payout is well covered by earnings expected to approach $3.50.

* * *

Pittsburgh Steel is a company with a bleak history that is starting to achieve something of a rebirth. Nothing sensational is expected of Pittsburgh which still has some relocations and improvements that will impair operations a bit. But since comparisons cover the steel strike period of last year, earnings should show up well for this year and in time the $1 cash and 4% stock payments could be readjusted to a higher cash basis. The cash payment represents 3½% yield at recent prices.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Form Mutual Inv. Serv.

FOREST HILLS, N. Y.—Daniel J. Schatz is engaging in a securities business from offices at 64-85 Wetherole Street under the firm name of Mutual Investment Service.

Prominent Brooklyn Banker Urges Prompt Action On Lowered Down-Payments on Homes

Contending lowered down-payments for homes are not inflationary, George C. Johnson telegraphs top Presidential advisors and Federal officials urging recently passed and signed Congressional housing bill be put into immediate effect. Views such a step as essential to the economy's well being and the public interest.

George C. Johnson, President of The Dime Savings Bank of Brooklyn, N. Y., urged that the housing bill passed recently by Congress be put into effect "promptly" and that the Federal Housing Administration immediately effectuate liberalized down-payment formula permitted in the legislation. The bill was signed by President Eisenhower on July 12.

George C. Johnson

The banker asserted that lowered initial payments on mortgages insured by the FHA "are necessary so that thousands of prospective home-buyers may avail themselves of the new terms they have been awaiting."

He also declared that "low down-payments for homes are decidedly not inflationary."

Telegraphs Presidential Advisors

Mr. Johnson's request for prompt action at governmental administrative levels was contained in telegrams sent to President Eisenhower's advisors and Federal officials, including: Sherman Adams, Assistant to the President; Dr. Gabriel Hauge, Administrative Assistant to the President; Raymond J. Saulnier, Chairman, Council of Economic Advisors; George J. Humphrey, Secretary of the Treasury; W. Randolph Burgess, Undersecretary of the Treasury; Percival F. Brundage, Director of the Budget; William McChesney Martin, Chairman, Federal Reserve Board; Albert M. Cole, Housing and Home Finance Agency Administrator, and Norman P. Mason, FHA Commissioner.

In urging prompt action on making the housing bill effective, Mr. Johnson said that its provisions for lower down-payments "closely resemble the recommendation of the Administration," and added:

"Surely anything that will broaden the base of home ownership is desirable, not only because of the benefits to people wanting to buy homes, but also continued support of the building industry is essential to the well-being of our economy in which this industry is such a vital element."

No Inflation From Good Credit Risks

To support his contention that low initial payments for homes are not inflationary, Mr. Johnson's telegrams stated:

"The Dime Savings Bank of Brooklyn, during its participation in the Federal Housing Administration and Veterans' Administration home loan programs from their inceptions, has made a total of 58,576 such home mortgages. Some of these under the VA program were made with NO down payment. During the 23 years of such participation, we have had to take back only 247 of the homes so financed, or 4/10ths of 1% of the total. This certainly is conclusive evidence that the average American family is a good credit risk."

In a statement issued in amplification of his telegrams to the Federal officials, the Brooklyn banker explained:

"As passed by Congress, the housing bill permits sharply lower down-payments on FHA-insured mortgages. This provision is merely permissive, however. It is not mandatory. Before these liberalized terms can be made effective, the FHA Commissioner must find that such action is in the public interest and warranted by economic conditions.

For the Nation's Interest

"There is no question that lowered down-payments are in the public interest and would strengthen the nation's economy. The home building industry has suffered a severe economic shock during recent months because thousands of families with average incomes have been squeezed out of the market because of high initial payments required. Spotty unemployment has appeared in several industries which supply building materials and equipment, and there is growing unemployment in the construction trades.

"Low down-payments would remedy this situation to a considerable degree. Greater numbers of families are able to buy homes when the required initial equity is small. This means more homes are produced, and it is a basic economic fact that production is one of the most powerful weapons which can be used against inflation."

CORRECTION

Some of the copies of the "Chronicle" of July 11 inadvertently contained the wrong picture in connection with the testimony given on page 10 of Dr. Walter W. Heller, Professor of Economics, University of Minnesota, before the Sub-committee on Fiscal Policy, Joint Economic Committee, Washington, D. C. The error was corrected before the press run had been completed. Here are Dr. Heller's picture, also that of W. E. Heller, President of Walter E. Heller & Co., Chicago, which latter had appeared in part of the edition.—EDITOR.

Dr. Walter W. Heller

Walter E. Heller

Glenn E. Hinton Opens

SEATTLE, Wash. — Glenn E. Hinton is engaging in a securities business from offices at 7338 Forty-Seventh, N. E. He was formerly with Foster & Marshall.

Form Lamula Investors

John Lamula Investors, Inc. has been formed with offices at 130 William Street, New York City, to engage in a securities business. Officers are John Lamula, President; Benjamin G. Hanych, Vice-President; and Antoinette Braune, Secretary-Treasurer.

Public Utility Securities

By OWEN ELY

Baltimore Gas & Electric Company

Baltimore Gas & Electric can perhaps lay claim to being the oldest utility company in America, since the country's first gas company was founded in Baltimore in 1816, and the first electric company in that city was organized in 1881. In 1906 the present company was formed by a merger of Baltimore utilities and in later years smaller utilities in outlying areas, as well as the steam-heating business in downtown Baltimore, were acquired. The company now serves the metropolitan area and surrounding sections aggregating 2,283 square miles, with a population of 1,675,000, about 60% of the state's total number.

The area served is well located with respect to markets, materials and manpower. Baltimore's excellent terminal, port and transportation facilities make it a logical distribution center, and it experienced a banner year in 1956. Ship arrivals reached an all-time high of 5,735, up 83% from 1946. In each year of the last decade the port has ranked second in the country in foreign trade tonnage.

Coal is nearby, and local industries provide steel, stainless steel, copper, chemicals, and many other products. Bethlehem Steel Company's Sparrows Point plant is one of the largest in the world, and attracts other enterprises to locate in the area. Excellent trunk-line rail facilities are available. Consequently, an unusually broad diversity of industry is found in this area. There are about 2,000 manufacturing establishments in the area served, with every major group of the Standard Industrial Classification represented, and now accounts for over 3% of the company's revenue.

The service area is showing excellent growth, its population having increased 40% faster than the national average since 1950. The Maryland State Planning Commission has forecast population gains for the period 1950-70 of 33% to 102% for the five counties served (22% for Baltimore County alone). In the past five years Baltimore G. & E.'s revenues have increased at a compound rate of nearly 10% per annum.

In 1956 electricity accounted for 70% of the company's revenues, natural gas 29%, and steam 1%. The breakdown of electric revenues was 34% residential, 31% commercial, 34% industrial, and 1% miscellaneous. In the gas division, househeating and other residential sales accounted for 70% of revenues.

Last year the company generated 73% of its electric output and purchased 27% mainly from its affiliate, Safe Harbor Water Power Company. The company has five steam plants with a capacity of 956,000 kw and Safe Harbor has 400,000 kw hydro capacity on the Susquehanna River. Last year the company joined with several other utilities in Pennsylvania, New Jersey and Maryland to form a 10 million kw power pool.

Construction expenditures are estimated at $233 million for the period 1957-61—representing a 50% expansion—of which $40 million will be spent this year. The program includes a second 125,000 kw generating unit at the Wagner Station, expected to be ready early in 1959.

Capitalization as of April 30, 1957, was as follows:

	Millions	Percent
Mortgage debt	$172	46
Preferred stock	29	8
Common stock equity (6,937,480 shares)	170	46
Total	$371	100

The company's bonds are rated Aaa by Moody and the preferred stock A** by Standard & Poor's. Dividends have been paid continuously since 1910, have never been reduced and have always been earned.

Following is the company's record in the past decade:

	Revenues (Millions)	Earned Per Share	Dividends Declared	Yearly Price Range High	Low
1956	$132	$2.32	$1.60	36	32
1955	118	2.16	1.55	36	30
1954	107	1.95	1.40	32	27
1953	98	1.74	1.40	28	24
1952	91	1.81	1.40	28	25
1951	84	1.69	1.40	26	24
1950	79	1.86	1.35	27	23
1949	73	1.64	1.20	23	20
1948	71	1.50	1.20	23	18
1947	63	1.64	1.20	28	23

In March this year the company made various readjustments in its electric and gas rates, the net effect of which would be to reduce revenues by an estimated $732,000 a year. This would be equal to about 5 cents a share. A favorable regulatory factor is that all tariffs now contain clauses providing for automatic adjustments for changes in the cost of fuel or of purchased gas.

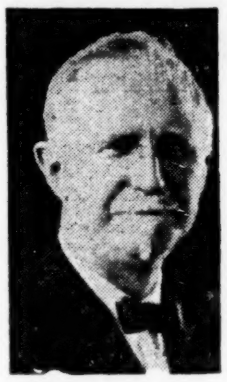
The company in March this year offered additional shares on a 1-for-11 basis at $31 a share, proceeds approximating $18 million. The common stock has been selling recently around 34 (range this year about 36-32) and the dividend rate, raised to $1.80 this year, affords a yield of 5.3%. Share earnings for the 12 months ended March 31 were $2.30 based on the increased number of shares, and using this figure the price-earnings ratio would be 14.8. For the five months ended May 31, 1957 the balance earned for common stock showed a gain of 12% over last year.

Factors to Consider in Buying Canadian Bargains

By ROGER W. BABSON

Ordinary investors are advised by Mr. Babson on what factors to consider before purchasing inexpensive Canadian oil and mining stocks. The noted financial analyst suggests, in particular, not to buy at random and to place price per ton of real ore reserve ahead of stock market price. Believes metal reserves are limited and that future demand will drive carefully selected and supervised Canadian oils and metals far above their purchase price.

I am getting so many inquiries regarding cheap stocks listed on the Toronto Stock Exchange that I have come up to Toronto to make some inquiries. There certainly is great interest in these cheap stocks. So much money is being sent to Canada by American investors that the Canadian dollar is now worth a premium of 5% over the American dollar.



Roger W. Babson

Different Kinds of Canadian Investments

The safest is probably an investment in the producing oils which are more or less controlled by the larger American companies. These are selling on a fair basis and should have even greater growth; but they should be bought for income rather than for speculation. There is no question but that there is a lot of oil in Western Canada; but most wells are waiting for transportation to good markets. To build pipe lines takes time and money. The wells will not be allowed to produce much until these pipe lines have been constructed. There are also large fields of natural gas; but these also are awaiting pipe lines. Oil can be put in barrels and transported by truck; but natural gas is absolutely dependent on pipe lines or else upon very expensive compression.

The most popular investments are in metal-mining companies, including gold, copper, zinc, lead, uranium, and even the rare metals. Most of these stocks do not now represent producing properties, although some of the non-producers are building mills or refineries. There are probably many that are now selling for less than a dollar a share which will some day sell for many times this. But only experts can pick them at this time. For the ordinary investor to buy them at random is a good deal like betting on a horse race. Some horses will surely win; but which one is another matter.

Relation Between Price and Reserves

Even if a mining stock is selling cheap, that is, below a dollar per share, yet one should first find out how many shares are outstanding. The brokers here tell me that most of the buyers look only at the prices and do not consider the number of shares outstanding. Of course, the number of shares should be multiplied by the price to see what the mine or the prospect is selling for. Certain stocks which now pay no dividends are probably the best buys.

The most important thing for the investor to know is the amount of real ore reserves, whether iron, copper, lead, zinc, uranium, nickel, or whatever the metal may be. These ore reserves can be determined pretty well by diamond drilling. An honest broker will tell you approximately the amount of the reserves. In addition to knowing the quantity of the reserves, one should know the percentage of ore to a ton of earth. With this information the investor can divide the price at which the mine is selling by the reserves and secure a rough estimate of the price that he is paying per ton for the ore.

Other Factors to Consider

There are other factors to consider, such as distance from a railroad, a navigable river, or even highways. Before a metal can be marketed, the ore must be brought to the surface and refined and the metal transported to market. Each step is expensive, but very important. Then, of course, the amount of "overburden" is important; that is, how much earth must be removed before the ore can be taken out. The diamond drilling will give the figures on this. The main thing to keep in mind is: Buy reserves or ore and study the price you are paying for these reserves. Forget the stock market and imagine that you are merely a metal merchant buying copper or one of the other metals. For instance, if you are studying a coal company, instead of figuring too much on the price of the stock, figure how much you are paying for a ton of coal.

Investors who take the trouble to get this information should really be able to make a lot of money. Sometime in the next 30 years most metals will be selling at several times their present prices. There are only so many tons under ground of every metal, and the amount is being reduced every day. I really believe that $12,000 invested properly in Canadian Oils and Metals, will, at some period during the next 30 years, be worth a million dollars! Such an investment, however, requires much care in the selection and supervision of the companies.

Joins Staff of Jos. G. Peterson Co.

ST. LOUIS, Mo. — Joseph G. Petersen, Jr., has become associated with Joseph G. Petersen & Co., Inc., 1811 South Broadway, members of the Midwest Stock Exchange, as a Registered Representative.

He has been with Hill Brothers as a Registered Representative for the past two and one-half years, following his Marine Corps enlistment.

L. G. Halkos Opens

HOPEWELL, Va. — Leon G. Halkos is conducting a securities business from offices at 141 South 13th Street. He was formerly with Dewey, King & Johnson.

Form Loicano & Lee

FT. WORTH, Texas — Howard D. Lee and Frank Loicano have formed the partnership of Loicano and Lee with offices in the Continental Life Building to engage in a securities business.

Two With Kentucky Co.

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky. — Lucy E. Laib and Lucien C. Whitaker have joined the staff of The Kentucky Company, 320 South Fifth Street. Miss Laib was previously with W. L. Lyons & Co.

Joins Continental Secs.

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich. — Roland D. Frederick has joined the staff of Continental Securities Co., Inc., Peoples National Bank Building.

Business Man's Bookshelf

British Government Publications—Monthly list—British Information Service, 45 Rockefeller Plaza, New York 20, N. Y.

Export-Import Forwarding and Traffic Management — Alfred Murr—Cornell Maritime Press, Cambridge, Md.—$7.

How to Save Money for What You Want — Scriptographic booklet on "self-taxing" plan—Channing L. Bete Co., Inc., Greenfield, Mass. — (Paper) — 15c.

Operating Results of Department and Specialty Stores in 1956 — Malcolm P. McNair — Division of Research, Harvard Business School, Soldiers Field, Boston 63, Mass.—(Paper)—$5. (Supplementary Expense Center Tables, $1 per copy)

Proceedings of the 63rd Annual Pennsylvania Bankers Association Convention—Pennsylvania Bankers Association, Box 125, Harrisburg, Pa.—$3.50.

Proceedings of the 50th Annual Meeting of Life Insurance Association of America—Life Insurance Association of America, 488 Madison Avenue, New York 22, N. Y.—(Paper).

Soviet Russia in China: A summing-up at 70 — Chiang Kai-shek—Farrar, Straus & Cudahy, 101 Fifth Avenue, New York 3, N. Y.—(Cloth)—$5.

Sweden Builds — G. E. Kidder Smith — Reinhold Publishing Corporation, New York, N. Y.—$10.

Sweden's Foreign Policy—Samuel Abrahamsen — Public Affairs Press, Washington, D. C.—$2.50.

Talking Turkey — Pictorial pamphlet on present day Turkey—Turkish Information Office, 444 East 52nd Street, New York 22, N. Y.—paper.

Technical Cooperation—Report on how United States and more than 50 nations of the free world are combining their skills and knowledge — Office of Public Reports, International Cooperation Administration, Washington 25, D. C.

U. S. A. in New Dimensions: The Measure and Promise of America's Resources — Thomas R. Carskadon and George Soule — The Macmillan Company, 60 Fifth Avenue, New York 11, N. Y.—(Paper)—$1.50.

Yardsticks for Human Relations Training — Irving R. Weschler, Robert Tannenbaum, and John H. Zenger—University of California, Los Angeles 24, Calif.—paper.

Shaskan Adds to Staff

Philip M. Zrike, Jr. and James F. Coughlin, Jr., have become associated with Shaskan & Co., 40 Exchange Place, New York City, members of the New York Stock Exchange.

A. L. Vanden Broeck Adds

Kenneth I. Herman, Samuel A. Horowitz, Emil C. Kroner and Stephen B. Rubel have become affiliated with Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York City, members of the New York Stock Exchange.

F. M. De Sapio Opens

WEST LONG BRANCH, N. J.—Fred M. DeSapio, Jr. is conducting a securities business from offices at 105 Hollywood Avenue.

Fundamental Role of Business Is to Operate Profitably

By DR. LELAND I. DOAN*
President, Dow Chemical Company

Referring to management's "preoccupation" with "social consciousness," Dow Chemical head warns against allowing this to become an end in itself instead of the economic responsibility of profitable operations and protection of owner's capital. Successful enterprise, Dr. Doan avers, permits business to attract investors and to meet its social responsibilities, including its primary joint economic and social responsibility of progressive and far-sighted use of capital and earnings. Decrying chemical industry's failure to recognize price inflation's effect on profits, Dr. Doan notes that the steel industry has been advancing "sensible and potent arguments" for some form of replacement-cost depreciation, under which "we would depreciate the current value of plants adjusted upward for inflated costs." Asks that industry and government face "facts of life" including our tax structures and depreciation practices to bring about capital flow for growth and progress.

It is difficult nowadays to go into any sort of industrial gathering, or even to go about your routine tasks for a couple of days, without encountering some discussion of management's "social responsibility" — or "corporate citizenship" — or operation of business "in the public interest." All of these terms, of course, referring to the same general area of business behavior—and a broad, vague and complex area it is.

Leland I. Doan

Industry people talk about it, magazines write about it, educators make surveys of it, and even college students send questionnaires about it. In fact we had one from a business administration major just a few days ago.

I don't think this is anything particularly new that has crept into the business scene. On the contrary it is quite obvious that business has swung very widely from the "public be damned" attitude that characterized *some*—not all—businessmen two or three generations ago. Actually, we seem to have become quite preoccupied with the "social responsibilities" of corporations and the men who manage them.

Now I would be the last one to quarrel with this. I think business management was long overdue in assuming a role of leadership outside of the day-to-day conduct of ordinary business matters. And there is no question in my mind that it has been good. Some of the things we do, the policies we follow, can hardly be reduced to accounting. We would be hard put to identify for our stockholders the dollars of profit that have resulted from any particular program or practice. But we have a pretty firm conviction that most of these things accrue to our benefit sooner or later and directly or indirectly.

This preoccupation, however, disturbs me a little bit in that it is always possible to become myopic and allow the means to become an end in itself. We have learned, sometimes the hard way, that business, if it is to be successful and enduring, must be operated *within the framework* of public interest. And a pretty large framework it is. But I hope we never kid ourselves that we are operating *for* the public interest *per se*.

*An address by Dr. Doan before the 85th Meeting of the Manufacturing Chemists' Association, White Sulphur Springs, W. Va.

Basic Function Is Economic

Our function is an economic one, and we have a very direct responsibility to carry out that function just as ably as we possibly can. Our social responsibilities are part of the package, but they are indirect. Unless they are properly evaluated in terms of our basic function, they become a sort of hitchhiker. The main point is this: Only so long as we do a good job in meeting our economic responsibilities are we going to be able to discharge our social responsibilities. Any activity labeled "social responsibility" must be judged in terms of whether it is somehow beneficial to the immediate or long-range welfare of the business.

Our first responsibility is profitable operation. That is the simple and perfectly honorable purpose underlying any economic endeavor. As employees of the owners it is our job to return a profit. We are custodians of their money, charged with the duty of seeing that it earns and grows. All our secondary responsibilities hinge on profit.

To do that we need to be very realistic in recognizing our true costs and, one way or another, to maintain a proper balance between our costs and the return we get from the things we produce. In the complexity and financial strength of a large corporate organization it is easy to let things get out of balance. And unfortunately we can get along quite nicely for quite a while, several years perhaps, before waking up to the fact that the ice has become extremely thin.

Some industries, I think, have done very well in recognizing cost pressures before they became acute. Steel, oil, paper, glass and aluminum are examples. I am inclined to believe that the chemical industry has not done quite so well and could do with a bit of soul searching.

Now, a second responsibility of management is protection of the owner's capital. That is so fundamental that I suppose we scarcely think about it. We can say, "Well, naturally if we make a profit it goes without saying that the original capital is being protected." But I wonder if it is.

Purely aside from the profit motive I believe the investor has a right to expect that when he places his money with us, he is doing something better with it than as though he simply placed it in a vault or buried it in a tin can. I am thinking that he should expect us to protect it in terms of purchasing power. If we fail to do that then we have let his dollar depreciate just as though it had been buried.

Depreciation Practices

This gets into the matter of depreciation practices. It is a controversial subject. There is no controversy about the fact that the depreciation we have recovered on a plant built 15 years ago will not come within a country mile of replacing that plant today. But how much we have a right to recover, and how we should go about recovering it, is open to debate.

The steel industry has been advancing some sensible and potent arguments on this score which could be simplified under the term "replacement cost depreciation." Under this approach we would depreciate the current value of plants adjusted upward for inflated costs.

Well, a number of suggestions have been proposed, and at this point I don't know that I care to pass judgment on them—much less advance one of my own. I do think, however, that it is time both industrial management and government took into account some obvious facts of life which relate to this problem.

Refers to Obvious Facts

First, our economy is not a static thing. It moves and changes. For many, many years we have had an inflationary economy. Sometimes it has been slowly inflationary, sometimes rapidly. Occasionally there have been temporary downturns. But over the long pull it has been inflationary, and in like degree the purchasing power of the dollar has dwindled.

Secondly, corporate business tends to be perpetual in nature. We do not make an investment, recover it with whatever profit we can contrive and then fold up our tent. By and large, the corporation goes on decade after decade and generation after generation. My own company was 60 years old last month and it is quite a baby compared to some others.

Now, it seems to me that in our tax attitudes toward depreciation we have been treating business either as though it were a temporary sort of thing or as though it were operating in a static economy — as though the purchasing power of the dollar were constant whether in 1910 or 1930 or 1960. The result has been that we have invested a dollar with the understanding that we had a legal right to recover it but, in effect, we have ended up recovering 60 or 70 cents.

Since business is an enduring thing and lives in a changing economy it seems to me we are going to have to take a more realistic look at our tax structures and depreciation practices and make appropriate adjustments to assure business and industry the capital it needs for future growth and progress.

Incentives for new venture capital have been declining and the more they decline the more we are going to have to look for other means of supporting the economic growth which the country inevitably must have. The outlook is not gloomy, but neither is it especially bright. Perhaps some of you read a recent statement on this by Sumner Slichter. I would like to quote just a part of it:

"There will be," he said, "no galloping inflation, no runaway prices, no frenzy of speculation, and no great collapse. Rather, our world will be one in which markets will be large and expanding, in which technology will be changing rapidly, in which competition will be extremely keen and profits fairly modest . . . a world in which bondholders will fare rather badly, in which the *proportion of the national product going to stockholders will continue to drop slowly*, and in which most of the gains of increasing productivity will be to the employees."

I think that as managers of business it is our responsibility to do all that is in our power to see that the stockholder's slice does not become thinner. He has a right to expect this from us and, if you want to face very cold reality, the survival of capitalism as we now know it depends upon making individual investment in the corporate entity worthwhile.

Primary Social Responsibility

Now, there is another responsibility of management that could well be regarded as both economic and social. Among other things, this college student that I spoke of asked: "What do you consider the *primary* social responsibility of management"?

We told him: "Progressive and far-sighted use of capital and earnings."

In our competitive economy and ever-changing technology this is quite apt to be a necessity for survival. But it is not entirely axiomatic. I think there are many occasions when management could sit back, let things run along as they are and return good profits for a long time.

Back in the early 1890's when Herbert Dow had finally got the bugs out of his bromine process, it turned out to be a very profitable business. His stockholders and most of his directors were very happy with the situation and wanted it just the way it was. They could see, I suppose, where it would take only a few years to recover their investment with a healthy bundle of profit and that was all they were interested in. They definitely had no interest in research or in adding any other products to the line. The boat was sailing smoothly and they didn't want anyone rocking it.

But Herbert Dow was a born boat rocker. He couldn't abide simply standing still no matter how comfortable the position might be. So — actually against orders — he took some of the profits and began research on other products.

This went along very nicely until one day an experimental unit blew up, and then, of course, the directors found out what he had been doing. The resulting difference of philosophy almost blew up the organization. Since they wouldn't stand for research, Herbert went out and formed a new company, with new capital, to conduct the research he was bent on doing.

The outgrowth of that company was The Dow Chemical Company which ultimately bought out the original business. And as you know, we've been putting money into research ever since.

What would have happened if Herbert Dow had been like the rest of them—if he had not been progressive and far-sighted in his use of capital and earnings? I expect they would have gotten their money back, but I also suspect there would be a pretty vacant spot on the map up in Midland, Michigan. Certainly there would not be 27,000 Dow employees, and such contributions as we have made to science and industry would not have been made.

Then someone else would have made them, you may say. But not if *all* business management was content with the *status quo* and considered the protection of capital and the return of a profit as the extent of its responsibility.

Criticizes Foreign Non-Progressiveness

We have seen much of this type of attitude in some segments of European industry. They deplore obsolescence and so they are inclined to avoid it by simply not developing anything new. They like to do business "comfortably" and so they form alliances to split-up markets and allocate productions. Each is thereby assured profitable operation, but none has any particular incentive to improve process or product because it is not operating in a truly competitive situation.

These attitudes, this failure to accept a responsibility for progress, probably is a major reason much of Europe has lagged behind us technically and industrially. And because of this lag the European consumer lags behind us in standard of living.

Thus does energetic and progressive use of capital and earnings take on social implications. At the same time it adds to the value of the owner's holdings and the long-range return on his investment.

Points to Research

Research, of course, is the key. And it must be supported from earnings. We can continue research only so long as we make a profit, but we have a responsibility to see that a portion of our profit is so directed. We could all stop research tomorrow and we could then all give our stockholders some fat extra dividends. But in the long run they would be less well off, and to that degree we would be shirking an economic responsibility. We would, at the same time, by shirking a primary social responsibility.

We have only to look about us to recognize that industry, through its research, has been responsible for most of the physical progress our civilization has made. It pours millions and millions of dollars into the development of new products, better ways of doing things, with the profits from already successful products picking up the check until, ultimately, the new product is able to stand on its own feet and return its own profit.

Many, of course, never do pay off, but the net result of the system improves our civilization, benefits everyone — the owners, the employees, the consumers. None of the things which we rather take for granted — the drugs, the fibers, the plastics and so on—would have been brought about if industrial management had not accepted that dual economic and social responsibility.

Management and New Vistas

We are now just in the early stages of what everyone seems to refer to lightly as the "atomic age." We don't even have any idea what the atomic age is. It's too early in the game. We have just discovered a few new things about the atom that have opened up great new vistas of potentiality.

Industry cannot claim sole credit for the basic discoveries. But I am sure of one thing—that the fruits of atomic energy, the "atomic age," whatever it turns out to be, will be brought about only through industrial management pouring heaven-knows-how-many millions into this new area of exploration.

I am sure industry will do it as it has with all the other major developments of the past.

We, of all countries in the world, are known for our progress. And I suppose there are any number of influences which contribute to it. But I suspect it boils down to some combination of a naturally pioneering spirit and the dictates of our unusually competitive system of operation. These are the stimulae. But the means? It has been *possible* only because it has been profitable.

So as we talk about corporate citizenship and social consciousness, and find new avenues of demonstrating them, I would like us to keep firmly in mind that in the final analysis we can serve the public interest *only* if we first adhere to our basic *economic* responsibilities.

The *desire* to live right is laudable, but to make it meaningful we must also have the *ability*.

Form Great Northern Inv.

EAST ORANGE, N. J. — Great Northern Investors Associates has been formed with offices at 14 North Harrison St. to engage in a securities business. Principals are Jay H. Stoffer and Ivan E. Fine, both of whom were previously with FIF Investing Associates.

What Kind of Tax Reduction When Taxes Are to Be Reduced?

By RICHARD A. MUSGRAVE*
Professor of Economics, University of Michigan
Ann Arbor, Mich.

Prominent tax economist proposes a modest future tax reduction plan, "if and when" conditions permit, which lowers low income group rates and limits top surtax bracket rate to 60%. After diagnosing our present economy as being buoyant, the Economist prescribes no tax reduction nor substantial cut in Federal expenditures so long as this condition continues. Professor Musgrave claims: (1) cutting the budget reduces built-in flexibility; (2) tax reduction should not be restricted to capital income; and (3) real per capita income *after taxes* has increased 55% since 1940 and 20% since 1947. Denies current tax load in America is intolerable; contends our big budget contributes to our prosperity; and suggests authority be delegated in a prescribed manner to allow predetermined tax changes to be instituted when required.

Early Tax Reduction Not Called For

Tax reduction will be called for when there is a distinct downturn in economic conditions, or when there occurs a substantial cutback in public expenditures, not before.

Prof. R. A. Musgrave

As yet, I do not see the signs of a developing recession which calls for early tax reduction. When it comes, I shall be strongly in favor of tax cuts, and I would like to see increased flexibility in tax adjustments to permit prompt action. But now is not the time for reduction. As long as the economy continues at its present buoyant level, tax reduction will only increase the need for tight money; and it will increase the already existing imbalance between monetary and tax restriction.

Nor do I favor substantial cuts in expenditures. I am much disturbed by the growing by-partisan commitment of Congress to such a course; and I sympathsize with the President's drive, if belated, in defense of his budget. Whatever can be done to increase efficiency in public expenditure programs should be done. This much is self-evident; but it appears that any substantial cuts will involve curtailment of programs, rather than efficiency savings. As a citizen, I do not favor a general curtailment of programs. As I see the world picture, I do not think that the American people spend too large a part of their budget for these things. I do not believe that the proposed level of defense spending is too high; and while I recognize that defense needs curtail what can be done along civilian lines, I do not feel that we should suspend such services. However, this is not the important point for by topic.

The important point is that much of the current drive for cutting the budget is carried on under the banner that taxes must be cut because the current load is intolerable. I am not qualified to judge whether this is the case from a political point of view; and if so, what Congressional leadership can do to persuade the people otherwise. However, I can judge the economic aspect of the matter, and I am convinced that the tax load is not intolerable in **this** sense. What seems to be the President's repeated nightmare—that we must walk a knife edge between military defeat abroad and economic disaster at home—is just a nightmare. It has no basis in fact, at least not in the present setting. To be sure, there could be a level of military expenditures which would set us back into a rigged economy of the wartime type, but current proposals are far below that. The gross national product in real terms is now about one-third above wartime levels, and we are looking back at a decade of unsurpassed prosperity. Far from being an impediment, the big budget has contributed to this prosperity.

If the Congress insists on severe cutbacks in the budget, let it be done for the right reasons: That is not because economic necessity demands it, but because these outlays are considered less desirable than private uses of income. It is only fair to add, vis-a-vis our friends abroad, that these cutbacks need not be undertaken because the American taxpayer would starve lest his taxes be cut. Notwithstanding present levels of taxation, the American consumer has experienced a 55% gain in his income after tax since 1940 (on a per capita basis, and deflated for price change), and a 20% gain since 1947. I expect these gains would continue, even though present rates of tax have to be maintained.

In the longer run, present tax rates will bring in a rising yield, as the level of national income rises. This will permit cuts in tax rates **provided** that defense requirements rise less rapidly than the level of national income. This is a happy assumption to make, but I see little basis for it. In particular not, if we consider that the Russian national income is likely to rise faster than ours. Such being the case, we should be very careful not to create unjustified expectations for tax reduction over the next few years. Such expectations will materialize only in the pleasant event that international conditions take a decided turn for the better; or, in the less pleasant event, that economic conditions turn down and a deficit is called for.

Pattern of Tax Adjustment

With this in mind, let me turn to possible patterns of modest tax reduction if and when the situation arises. Such reductions must be fitted into the longer run objective of improving and consolidating the tax structure. The problem of major tax reform, such as would become possible with a substantial cutback in defense requirements is a different matter and will not be considered here.

Assuming a small reduction of $2 billion, I would propose the following type of adjustment:

	Millions
(1) Split first bracket of personal income tax into two brackets of $1,000 cash, and cut rates on first bracket by 3 percentage points	—1,500
(2) Limit top surtax bracket rate to 60%	— 500
(3) Apply source withholding to interest and div. income	+ 400
(4) Other measures to tighten personal income tax	+ 200
(5) Repeal 1954 dividend credit and exclusion	+ 400
(6) Reduce corporate rate on dividends paid by 5 points	— 500
(7) Reduce depletion allowance	+ 200
(8) Reduce corporation tax rate to 50%	— 500
(9) Reduce excises	— 200
Net change	—2,000
Assuming a more substantial reduction of $5 billion, I would implement the above adjustments by	
(10) 5% cut in all bracket rates under the personal income tax, leaving upper limit at 60%	—2,000
(11) Reduction in selected excises	—1,000
Net change	—5,000

Equity Aspects

These adjustments are based on certain views as to what constitutes an equitable tax structure. Most important is the idea that we should preserve and improve the personal income tax as the core of the tax structure. For this reason, I favor that relief at the lower end of the income scale be given in the form of rate reduction, rather than by raising exemptions and dropping people from the tax base. Similarly, I favor that the treatment of higher incomes be made more equitable by reducing top bracket rates and taking measures to assure that such rates as remain will really apply, not only to salary, but also to capital income. A number of the proposed changes work in this direction, although I have by no means listed all that should be done. In addition to removing existing inequities, we should resist all tendencies towards further erosion of the income tax base, including recent proposals to permit income tax reductions for expenditures on education. Of all forms of Federal aid to education, this seems to me one of the least desirable.

Apart from these adjustments in the personal income tax, I would like to see a modest cut in the rate of corporation income tax, again to be combined with a tightening of the tax base. Also, I should like to see a change in the 1954 approach to the dividend credit. Finally, I suggest a modest reduction in excises, but secondary to the income tax adjustment. This may seem inconsistent with my professed liking for reliance on the personal income tax, and perhaps it is. However, the excise share in the Federal tax bill is already fairly small, excise reduction may not be reflected promptly (under present conditions) in price reduction, and the announcement effect of income tax reduction (if I may use an argument in politics rather than economics) will be more evident to the taxpayer.

Effects on Built-In Flexibility

The proposed plan for tax reduction will not increase the automatic stabilizing capacity of the budget. Nothing does more to enhance this capacity than to keep the budget big and taxes high. If we think of stabilizing capacity per dollar of tax yield, we should do best by cutting out excises and payroll taxes, while increasing the progressive taxes in the system, especially those on capital gains. The proposed pattern does not meet this objective, nor do I think that it should.

There are better ways to increase the flexibility of tax policy. In particular, I would urge consideration of a plan whereby authority to adjust the level of tax rates in a prescribed pattern (say, by raising or lowering the first bracket rate of income tax) would be delegated to the Executive Branch (the much discussed Monetary-Fiscal Authority) or to a joint executive-congressional group. If this were done, prompt adjustments in tax rates could be undertaken to meet changing business conditions, and this could be done without any loss of ultimate control over tax legislation by the Congress.

Effects on Growth

The effects of tax reduction may be to enhance growth in two respects. Investment may increase because more funds become available for investment; or it may increase because investors find it more attractive to invest available funds. Some of the suggested changes will be helpful in both respects.

At the same time, the suggested pattern is not the one which I would propose if I were asked to consider favorable effects on growth only, while disregarding considerations of equity. In such a case, tax relief would be concentrated more heavily on capital income. The corporation tax might be cut more and capital gains taxation might be repealed. Better still, taxes might be raised and specific subsidies be given to investment where they are most effective.

I am not prepared to support such an approach. For one thing, I believe that equity is an important part of sound taxation; for another, sustained growth requires a high level of consumption as well as capital formation. Tax reduction which places exclusive emphasis on capital income, sooner or later tends to result in a situation where (in the absence of deficit finance) the economy can sustain neither a high level of investment nor a high level of consumption.

Therefore, I favor a balanced tax reduction providing for an increase in consumption as well as in investment.

Is Budget Cut Inflationary Or Deflationary?

The type of tax reduction, finally, may have some bearing on whether the proposed cutback in the budget—including tax and expenditure reduction—will be an inflationary or a deflationary factor in the economy.

Traditional reasoning in fiscal theory has held that an equal decline in public expenditures and tax yield reduces the total (public plus private) level of demand in the economy. What I like to refer to as the Humphrey theorem holds that the level of income will rise. The former is the case if we assume that the resulting effects on investment operate via changes in the supply of available funds, in which case the increase in investment and consumption cannot exceed the reduction in tax yield. The latter may be the case if effects on investment operate via changes in profitability due to changes in tax rate, in which case, investment may rise by more than the reduction in tax yield.

If the latter interpretation were correct, the proposed reduction in expenditures, combined with reduction of taxes on investment income, might be inflationary in its net effect. Such at least might be the case in the short run, until the additional capacity becomes available. This is a conceivable chain of effects, but I do not think that it is likely. At the same time, I do not think that the cutback in the budget will have a substantial deflationary effect in the present setting of a highly buoyant economy. In this setting, savings find their way readily into investment, and more or less all private income is respent, be it for consumption or investment. In such a setting, a balanced cutback in the budget has little or no effect on total demand. However, should a recession occur the resulting decline in income will be sharper than it would have been had there been no preceding cut in the budget. This is but another way of repeating what I have noted before, namely that cutting the budget reduces built-in flexibility.

*Testimony by Professor Musgrave before the Joint Economic Committee, Subcommittee on Fiscal Policy, Washington, D. C., June 6, 1957.

With Glore, Forgan

Harry H. Morris, Jr. has joined the New York sales department of Glore, Forgan & Co., 40 Wall St., New York City, members of the New York and Midwest Stock Exchanges.

Tax Policy for Economic Growth

By WILLIAM FELLNER*
Seymour H. Knox Professor of Economics, Yale University

Well known Yale economist believes our growing economy requires a deliberate long-run gradual tax reduction policy, with priority given to corporate income tax, and a gradual increase in growth-oriented non-defense public spending. Turning to the present inflationary trend, Professor Fellner suggests we give thought to methods which require no more, and even less, general monetary-fiscal restrictionism, and recommends reducing taxes which would encourage capital formation, providing we achieve in 1958 a $1 billion, or more, budgetary surplus without impairing public spending for defense and economic growth. Should wage-cost inflation occur, the author prefers selective consumer credit controls and investment stimulation in the hope that labor productivity will increase to reduce the gap between money-wage trends and trends in the productivity of labor.

I believe that the problems which we must be prepared to face in the near future cannot be properly understood unless we first place them in a long-run perspective.

William Fellner

If in the long run we can continue on a path on which aggregate output is rising appreciably, then there will be room for gradual tax reductions in small steps, unless the international situation should call for devoting a rising proportion of the total output to defense. Assume, for example, that we shall keep the proportion of the national output which we are devoting to defense constant and that in the long run the sum of interest-on-the-debt, veterans' benefits and agricultural subsidies will be rising in a lesser proportion than output or will not be rising at all. Then in the long run, we can afford to raise the average of all **other** non-defense items in the budget at the same rate in which output rises, and we will still have a gradually rising budgetary surplus.

This is because Federal revenue at given tax rates tends to rise in a somewhat higher proportion than output, and because on the foregoing assumptions part of the Federal expenditure, namely, the sum of interest, veterans' benefits and agricultural subsidies, rises in a smaller proportion than output, or does not rise at all, while defense spending rises in the same proportion as output as a whole. It may not be too optimistic to expect that in the long run output will be growing at an average yearly rate of 3% to 4%, let us hope more nearly of 4%.

Annual Budgetary Surplus

On these assumptions the average yearly increase in the budgetary surplus, with constant tax rates, might come close to one billion dollars in present prices. This means that in years in which there exists no inflationary pressure, such as would call for further increasing the budgetary surplus, we could reduce taxes by almost one billion. Deflationary periods may justify much greater temporary tax reductions but I am concerned here with the normal growth path of the economy, not with measures appropriate to severe cyclical swings.

As the economy grows gradually, all tax rates could be reduced in small steps and exemptions could be increased. But if we are concerned with the problem of economic growth, we should, I think, give the reduction of the corporate income tax high priority. Savings out of corporate tax reductions are high (consumption out of these tax reductions is relatively small) and a lowering of corporate tax rates increases at the same time the willingness to undertake risky investments.

Increasing Public Spending

Such a long-run plan would involve raising Federal non-defense expenditures (other than the sum of interest, veterans' benefits and agricultural subsidies) at about the average rate in which output rises, say, at a yearly rate of 3% to 4%. In other words, these non-defense expenditures would on the average be increasing by several hundred million a year, perhaps by close to one half of one billion. Some of this increase could express itself in rising grants in aid to state and local governments. We cannot get steady growth without an adequate amount of that kind of public spending which is complementary with private investment. Along the long-run path of the economy, room must be made for the public-expenditure requirements of a growing economy as well as for tax reductions.

It must be admitted, of course, that the proportions in which a potential surplus is to be divided between gradual tax reduction, gradually increasing government expenditure, and actual budgetary surplus, cannot be decided on objective or scientific grounds alone. Value judgments enter here. But grossly unreasonable decisions in these matters are nevertheless objectively wrong, in that they can reduce the actual output considerably below the potential output.

Turns to Present Period

I shall now turn to the question of whether we should start along these lines of gradual tax reduction as soon as the budgetary surplus tends to grow beyond very moderate levels. Or should we conclude that the present period calls for additional anti-inflationary monetary and fiscal measures, including a higher budgetary surplus?

To me it seems that in our attempt to stem the inflationary trend we should give thought to methods that require no more general monetary-fiscal restriction than we have now, and possibly to methods that require less than the present degree of general monetary-fiscal restriction. In the event that in the fiscal year 1958 the surplus in the administrative budget tends to rise beyond one to two billion dollars, then, in my opinion, much can be said for a small tax reduction. This is true especially if our policy agencies are willing to explore other methods of reducing the inflationary trend.

Defines Present Kind of Inflation

My reasons for suggesting this course of action are the following. Since 1955, our growth rates have been small. The recent uptrend in prices presumably results from a wage push rather than from demand inflation. While this certainly does not speak for going easy on the demand side, the character of this inflationary trend makes it difficult to get the situation under control by methods the impact of which is concentrated entirely on demand. Moreover, it would be desirable to exert the necessary demand-restraining influences in part by measures that restrain specifically consumption expenditure rather than investment.

Recommends Policy

I would like to suggest, therefore, that thought should be given to the following combination of policies. If at unchanging tax rates the surplus in the administrative budget should tend to rise beyond a very moderate level, and if it should be possible to achieve this without impairing the government programs required for national security and for healthy domestic growth, then we should consider reducing first those taxes which bear on new capital formation. We need more capital formation and more growth than we have had recently. If moderate tax reductions of the investment-stimulating variety should turn out to increase the rate of wage-cost inflation to a noticeable extent, we should consider reintroducing selective credit controls to curb the expansion of consumer credit. It would be desirable to exert a smaller restraining influence on investment and, if necessary, a greater and more selective restraining influence on consumption. **General** credit restraints could of course, also be used to offset the consequences of a potential miscalculation in the timing of gradual tax reductions, although if it should turn out that the effect of corporate tax reductions must be offset by further **general** credit restraints, then at the end little could be said for this combination of policies.

May Not Need to Restrain Consumption

Yet it may prove unnecessary to restrain consumption specifically, or further to restrain credit in general, when investment is stimulated by tax policy. Success or failure of the effort to curb wage-cost inflation may not depend on whether, when the occasion arises, we let the budgetary surplus rise by further two or three billion or whether in such an event we keep the budgetary surplus low by reducing taxes on new investment. Indeed, more investment raises the rate of increase in labor productivity, and to this extent it might reduce the gap between money-wage trends and trends in the productivity of labor. It remains to be seen whether this weighs more heavily or less heavily than the stimulation of demand, so far as the effects of tax policy on wage-cost inflation are concerned.

Let me end by expressing the opinion that the situation which our growing economy faces calls for deliberate long-run planning of gradual tax reductions on the one hand and of gradual increases in growth-oriented public expenditures on the other. The situation does not call for haphazard and risky cuts in the budget. There is little difference between starting to put into effect a long-run plan this year and starting to do so next year.

*Statement by Professor Fellner before the Joint Economic Committee, Subcommittee on Fiscal Policy, Washington 25, D. C., June 3, 1957.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Election of E. Louis Holtermann as Vice-President and Cashier and Charles A. Smith as Vice-President and Comptroller of the

E. Louis Holtermann Charles A. Smith

Grace National Bank of New York was announced on July 16 by Ralph S. Stillman, President.

Mr. Holtermann, who has been with the Grace Bank for 41 years, was named Cashier in 1932.

Mr. Smith brings to his new post 27 years of experience with the Grace organization. He was appointed Comptroller and Auditor in 1951. Prior to joining the bank in 1930, Mr. Smith was associated with **Bankers Trust Company** from 1925 to 1929.

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Carter L. Burgess has been elected a director of **J. P. Morgan & Co. Incorporated, New York** it was announced on July 18 by Henry C. Alexander, Chairman.

Mr. Burgess, President of Trans World Airlines, Inc., was Assistant Secretary of Defense from September, 1954 until he resigned to assume the Presidency of TWA in January of this year.

* * *

The appointment of Donald F. Hall as an Assistant Vice-President of **Manufacturers Trust Company, New York**, is announced by Horace C. Flanigan, Chairman of the Board.

Mr. Hall joined Manufacturers Trust Company in 1945.

He was appointed an Assistant Manager in 1950 and an Assistant Secretary in 1951. At present, Mr. Hall is assigned to the bank's 57th Street office, 741 Fifth Avenue, New York.

* * *

The Hanover Bank, New York, elected Harry P. Barrand, Jr., Chief Administrative Officer of the bank's foreign division, succeeding Basil Hwoschinsky, Senior Vice-President, who will retire Dec. 31. James R. Greene promoted from Assistant Vice-President to Vice-President.

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Bankers Trust Company, New York, promoted four of its officers, three in the Trust Department and one in the Bond Department, it was announced by S. Sloan Colt, Chairman of the Board.

Former Assistant Trust Officers Walter I. Hughes and C. Russell Sigler, both with the Personal Trust Division of the bank's Trust Department, were named Trust Officers, while former Assistant Secretary George F. Carse and former Assistant Treasurer Herman R. Frenzel, of the Bond Department, were promoted to Assistant Vice-Presidents.

Simultaneously, Mr. Colt announced the election to Assistant Treasurer of Gerald Guiltinan and Seymour Perkins.

Beginning his career as a bank messenger in 1934, Mr. Hughes joined the Personal Division of the bank in 1941. He was elected to the official staff in 1955.

Mr. Sigler began his career with Bankers Trust Company in 1937 and has been associated with the Trust Department since that time. He was elected an Assistant Trust Officer in 1953.

Mr. Carse, with the Corporate Agency Division of the bank's Trust Department, joined the company in 1925. He began working with the Corporate Trust Division of the bank in 1932 and has been connected with Trust Department work since that time. In 1943, Mr. Carse was named an Assistant Treasurer.

Mr. Frenzel began with Bankers Trust Company as a page boy in 1933. Two years later he joined the Bond Department and except for four years out in service with the United States Air Force from 1942 through 1946, he has spent his entire career in bond work. Mr. Frenzel was named an Assistant Treasurer in 1955.

Mr. Guiltinan, with National Division No. 3 of the bank's Banking Division, began work with the company in 1951.

Mr. Perkins joined Bankers Trust Company in 1953. He has worked with the Bond Department since that time.

* * *

Edward K. Block has been elected Controller of the **United States Trust Company of New York**. He joined the bank in 1937 and became Auditor in 1950 and Assistant Controller in 1952.

Harold W. Dodds was elected to the Board of Trustees of the United States Trust Company of New York according to a statement released recently by Benjamin Strong, President.

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J. Bernard Avegno, retired officer of the foreign department of the **Guaranty Trust Co. of New York**, died on July 10 at the age of 73.

* * *

John B. Dunning has been appointed a Trust Officer in the Personal Trust Administration Department of **The Bank of New York**, it was announced on July 9 by Albert C. Simmonds, Jr., President.

Appointed as Assistant Trust Officers in the Personal Trust Administration Department were John W. Arthur, Thomas S. Hamilton and John R. Hill.

Other appointments were Frederick T. Dohrman, Assistant Secretary — Real Estate Department and Norman N. Higgins, Assistant Secretary — Income Tax Department.

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Hoyt Ammidon, chief executive The Vincent Astor Organization, has been elected a Trustee of **The Hanover Bank, New York.**

Prior to becoming an officer of The Vincent Astor Organization in 1952, Mr. Ammidon was a Vice-President of The Hanover Bank, with which he had been associated since his graduation from Yale in 1932.

* * *

THE CORPORATION TRUST COMPANY, NEW YORK

	June 29,'57	Dec. 31,'56
Total resources	$4,654,553	$3,424,602
Deposits	1,351,735	321,349
Cash and due from banks	2,632,472	1,719,002
U. S. Government security holdings	435,635	431,278
Undivided profits	549,483	416,347

* * *

Frank J. Robertson, heretofore senior officer of the Fordham office, has been elected Treasurer of **American Trust Company, New York.** Mr. Robertson will be in charge of operations and personnel at the bank's home office, 70

Wall Street, New York, the board of directors announced. Mr. Robertson has been with American Trust Company since 1951. His previous connections included **National Bronx Bank, New York.**

Paul E. Berner was elected Assistant Trust Officer. He joined the bank in 1943 and has been in the financial district since 1909.

* * *

Mr. John W. Hooper, President of **The Lincoln Savings Bank, Brooklyn, N. Y.,** announced the election of Frederick Weisbrod to membership on the bank's Board of Trustees. The election took place at the regular July meeting of the board.

Mr. Hooper also announced that the Banking Department has approved The Lincoln's application for another branch office, to be located at the southeast corner of Avenue X and West 2nd Street, Brooklyn, N. Y.

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John T. C. Low, New York City, has been elected Vice-President and Trust Officer of the **Lincoln National Bank & Trust Co., Syracuse, N. Y.**

* * *

Directors of the **Citizens Trust Company of Fredonia, N. Y.** and the **Manufacturers and Traders Trust Company of Buffalo, N. Y.** approved plans for a merger. For every share of Citizen's Trust, M & T will give 12½ shares. This will make the merger worth about $1,100,000.

* * *

Richard L. Frothingham was appointed Vice-President of the **New England Trust Co., Boston, Mass.**

* * *

The Office of the Comptroller of the Currency issued a charter to the **Security National Bank of Springfield, Springfield, Hampden County, Mass.** The bank will have a capital of $340,000 and a surplus of $420,997.75. The President is Norman R. Vester and the Cashier James G. Bowman. This is a conversion of **Security Banking Company, Springfield, Mass.,** that took effect on July 1.

* * *

Dale S. Tate, 84, retired executive of the **Old Colony Trust Co., Boston, Mass.,** died on July 10 in his home at Westport, Conn.

He retired in 1942 after 32 years as a banker.

* * *

At the 100th Annual Meeting of the Corporators of **The Connecticut Savings Bank, held on July 10,** two changes were made in the official staff.

Dr. Charles T. Flynn, a Corporator since July, 1933, was elected a Trustee, and Carl G. Rosenquist, an Assistant Treasurer since July, 1948, was elected a Vice-President.

An employee of the **Mechanics Bank** for 12 years, upon its closing Mr. Rosenquist became associated with the Connecticut Savings Bank in August, 1932.

* * *

THE CONNECTICUT BANK AND TRUST COMPANY, HARTFORD, CONN.

	June 28,'57 $	Dec. 31,'56 $
Total resources	368,752,836	408,590,245
Deposits	332,856,875	373,458,132
Cash and due from banks	77,766,894	102,127,551
U. S. Government security holdings	66,766,310	89,412,322
Loan & discounts	163,144,269	166,677,689
Undivided profits	4,660,582	4,071,225

* * *

THE STAMFORD TRUST COMPANY, STAMFORD, CONNECTICUT

	June 28,'57	Dec. 31,'56
Total resources	$72,578,441	$67,065,882
Deposits	66,474,235	61,809,105
Cash and due from banks	7,410,839	9,382,619
U. S. Government security holdings	18,678,893	18,089,436
Loans & discounts	[illegible]	32,908,229
Undivided profits	903,744	650,662

* * *

COUNTY BANK AND TRUST COMPANY, PATERSON, N. J.

	June 30,'57 $	Dec. 31,'56 $
Total resources	135,099,182	132,380,033
Deposits	122,493,199	119,890,391
Cash and due from banks	18,412,829	20,365,269
U. S. Government security holdings	23,827,500	25,255,570
Loans & discounts	28,836,516	25,755,402
Undivided profits	2,132,495	3,105,244

* * *

The **Harrisburg National Bank, Harrisburg, Pa.,** with common stock of $625,000; and the **Second National Bank of Mechanicsburg, Mechanicsburg, Pa.,** with common stock of $125,000, consolidated effective as of June 29. The consolidation was effected under the charter and title of "The Harrisburg National Bank."

At the effective date of consolidation the consolidated bank will have capital stock of $820,312.50, divided into 32,812½ shares of common stock of the par value of $25 each; surplus of $1,679,687.50; and undivided profits, including capital reserves, of not less than $589,740.

* * *

Directors of the **Bryn Mawr Trust Company, Bryn Mawr, Pa.,** have declared an extra dividend of 15 cents per share and the regular semi-annual dividend of 75 cents per share, both payable Aug. 15, to stockholders of record at the close of business Aug. 2.

In February this year, the company paid an extra dividend of 10 cents per share in addition to the regular semi-annual dividend of 75 cents per share. In September last year, the bank paid a regular semi-annual dividend of 75 cents per share.

* * *

Joseph Harrison, Jr., of Villanova, Pa., Vice-President of the **Philadelphia National Bank, Philadelphia, Pa.,** died on July 12, while vacationing at Pueblo, Colo. His age was 56.

He joined the institution in 1952, having previously been an official of the **Girard Trust Company, Philadelphia, Pa.**

* * *

Ray Harrison, 61, died on July 13. He had been a Vice-President of **Mellon National Bank and Trust Company, Pittsburgh, Pa.** for more than 20 years.

He resigned from the army on Oct. 4, 1922, and began work with the **National Bank of Commerce in New York City.** On July 1, 1929, he came to the Mellon National Bank as an Assistant Cashier.

* * *

Construction of modern new banking quarters at a new location for **The Bank of Virginia in Petersburg, Va.,** will get underway shortly for occupancy in 1958, according to an announcement on July 10 by Thomas C. Boushall, Bank President.

The new quarters will house the office of The Bank of Virginia that was the first established outside Richmond. Operations of the bank in Petersburg began on Nov. 23, 1922, and the bank has been located at 144 North Sycamore Street since May 22, 1939. George R. Dupuy is Vice-President and in charge of the bank in Petersburg.

The Bank of Virginia has 16 offices in six Virginia cities. Total resources of the bank on June 30 were $124,428,689.36.

* * *

Merger certificate was issued on June 28 by the Office of the Comptroller of Currency, approving and making effective, as of the close of business June 29, the merger of the **Brecksville Bank, Brecksville, Ohio,** with common stock of $200,000, into **Central National Bank of Cleveland, Cleveland, Ohio,** with common stock of $16,000,000. The merger was effected under the charter and title of "Central National Bank of Cleveland."

At the effective date of the merger the receiving association will have capital stock of $16,400,000, divided into 1,025,000 shares of common stock of the par value of $16 each; surplus of $19,600,000; and undivided profits of not less than $1,081,671.68.

* * *

President Francis H. Beam of **National City Bank of Cleveland, Ohio,** has announced the appointment of two new officers. Richard Gigax, formerly Director of Personnel, has been advanced to Assistant Vice-President in Charge of Personnel, and John T. Tatakis has been appointed Assistant Cashier. Both new officers are at the bank's Main Office.

Mr. Gigax has had more than 16 years of experience in the personnel field.

Mr. Tatakis joined National City in 1950.

During most of his service with National City, Mr. Tatakis has been Purchasing Agent. He has been active in bank employee programs.

* * *

National Boulevard Bank, Chicago, Ill., elected George R. Reeves and Jene Harper, Directors.

* * *

Thursday, July 25 has been announced as the opening day of **Old Orchard Bank & Trust Co., Skokie, Ill.,** a newly organized bank.

Old Orchard Bank & Trust Co. has been capitalized at $300,000, with an additional $200,000 in surplus and reserves.

Louis E. Rieger has been elected President of the new bank. He was also associated with the **Peoples Bank of Bloomington, Ill.** and the **Sheridan Village State Bank, Peoria, Ill.,** which he successfully organized and opened in June of 1954.

Mr. Rieger will be aided by two capable young men in operating the bank, Leo W. Martin and Robert W. Krause. Mr. Martin was employed as an Assistant Cashier for six years by the **First National Bank of Waupaca, Wis.,** and will be Assistant Vice-President of Old Orchard Bank. Mr. Krause has been employed by the **First National Bank in Chicago Heights, Ill.,** and as Assistant Auditor by the **Beverly State Bank,** will be Cashier.

* * *

The First National Bank of Vienna, Ill., with common capital stock of $60,000, went into voluntary liquidation effective July 1. Liquidating agent: D. W. Chapman, care of the liquidating bank. Absorbed by: **First State Bank of Vienna, Ill.,** as of July 1.

* * *

THE DETROIT BANK & TRUST COMPANY, DETROIT, MICH.

	June 30,'57 $	Dec. 31,'56 $
Total resources	1,001,684,043	1,024,282,380
Deposits	925,596,919	950,874,262
Cash and due from banks	167,918,693	177,744,607
U. S. Govt. security hold'gs	341,361,389	357,338,296
Loans & discts.	377,375,959	374,852,256
Undivid. profits	11,533,971	9,509,348

* * *

William A. McDonnell, Chairman of the Board, has announced the election of George F. Frank and Lester J. Grigsby as Assistant Cashiers and Harry E. Linnemeyer as an Assistant Comptoller of **First National Bank in St. Louis, St. Louis, Mo.**

Mr. Frank, who has been assigned to the new business department since March, 1953, began his banking career in 1919 with the **Liberty Central Trust Company** which later merged with First National.

Mr. Grigsby began his banking career as a member of the special training division of First National in November, 1954. He was appointed new business representative in November, 1955.

Mr. Linnemeyer has been a member of First National's staff since 1927.

Both Mr. Frank and Mr. Grigsby will continue their duties in the new business department of First National.

* * *

The Bank of California, San Francisco, Calif., added its 15th office on July 15 when the **Placer County Bank, Auburn, Calif.,** became the bank's Auburn office.

H. L. Rosenberry, former President of the Placer County Bank, has been elected Vice-President of The Bank of California and Manager of the Auburn office. All other officers of the Placer County Bank have also been elected officers of The Bank of California.

At the time of merger the Placer County Bank's total resources exceed $12,000,000. The Bank of California's resources are over $550,000,000.

* * *

The Bank of California, San Francisco, Calif., has received approval from the Comptroller of the Currency to establish an office in San Jose.

President Edwin E. Adams announced that a long term lease agreement has been signed for the 8,500 square foot area at 2nd and San Carlos Streets. Remodeling will begin about Sept. 1 and the new banking office is slated to open in mid-December.

* * *

James A. Bacigalupi, Jr., was elected Adminstrative Assistant to the President, and Walter F. Winrott, Jr., was elected to a Vice-Presidency of the **Crocker-Anglo National Bank, San Francisco, Calif.**

* * *

Merger certificate was issued on June 14 by the Office of the Comptroller of the Currency approving and making effective, as of June 28, the merger of **Broadway State Bank, Los Angeles, Calif.,** with common stock of $227,010, into **Security-First National Bank of Los Angeles, Los Angeles, Calif.,** with common stock of $59,262,500. The merger was effected under the charter and title of "Security-First National Bank of Los Angeles."

At the effective date of merger, the receiving association will have capital stock of $59,775,000, divided into 4,782,000 shares of common stock of the par value of $12.50 each; surplus of $59,775,000; and undivided profits of not less than $59,371,057.65.

Form Ludington Corp.

ROCHESTER, N. Y.—The Ludington Corporation has been formed with offices in the Triangle Building. Officers are Howard J. Ludington, President; William F. Butler, Jr., Vice-President; and Howard J. Ludington, Jr., Secretary and Treasurer. Howard J. Ludington has been active in business in Rochester for many years under the firm name of H. J. Ludington Co.

Forms Al. Rosen Co.

BOSTON, Mass. — Abraham Rosen is engaging in a securities business from offices at 62 Boylston St., under the firm name of Al. Rosen Co.

Continued from page 3

Effect of the Price Level Upon Economic and Business Outlook

we will come to the conclusion that the purchasing power of the dollar will be well maintained in the future.

Prices Fall in Long Run

Before turning to this analysis we should take a very long view back at prices. That "long view" will tell us that prices mostly fell from 1815 to 1961. Here was a 46-year period in which prices were declining, not rising. We all know that wars can make prices go up and they did just that from 1861 to 1865. Then we had from the period of 1865-1873 to 1896 a period of almost 30 years featured by a fall in prices. From **1896** to 1913 we had the only sustained peacetime period of price rise which our country has ever known.

From 1914 to 1920 prices rose again entirely as a result of war. From 1920 to 1939 we experienced another 19-year period of falling prices.

Thus the record shows, if all wars could be left out, that the tendency in the United States most of the time has been for prices to fall and not for prices to rise.

This tendency toward more years of falling prices (perhaps we do not know how adequately to increase the money supply) has given us serious and at times intense economic depressions.

Advantages of Mild Price Rise

I certainly do not urge that we plan for some inflation to avoid economic recessions. But I would point out the wide **agreement that we may have a greater tendency toward mildly rising prices. This** may so promote **better business,** particularly promote **better and larger incomes needing life insurance** protection, that this way may be better than the old way of "Boom and Bust."

The period from **1948 to 1950 when prices fell,** is most interesting. So is the period of approximately even length since early 1956 up to date when prices rose by an amount equal to the fall in prices from 1948 to 1950.

Perhaps if we can isolate the factor which operated in these two cases, the one of deflation or falling prices of about the same magnitude as the very recent period of inflation and rising prices, we may come to have more confidence in future price stability.

The central fact of the period of falling prices from **August, 1948** to February, 1950 was that investment by business fell by about $13 billion. This was primarily investment in inventories. Thrusting past accumulated inventories into markets, lowered prices a full 4% in a year and a half. Such action by businessmen may come again.

In the recent period from 1955 to 1957 American business increased its investment or expenditures for new plant and equipment from $29 billion to $38 billion. This is an increase in investment of $9 billion.

This advancing expenditure for new plant and equipment has had two very important and remarkable consequences.

Sees Profitable Protection

The first is the inflation in prices of 3.9% we have had since March, 1956. The second important consequence is the substantial rise in the interest rate which is so meaningful to the entire life insurance industry. As we may momentarily measure "protection" as fundamentally coming from an earning rate or the interest rate on fixed investments, then those protected by the life insurance industry are going to be profitably protected in the years ahead.

Industry today knows how to do a very great many things very much better in future years. Let's leave it as simply as that and ascribe as the cause the $7.3 billion now annually being spent by all industry for research and development.

All this leads to a demand for capital and that increased demand for capital which becomes profitably employed is what produces the promise of a sustained high rate of interest of the decade ahead.

We can certainly appreciate the good prospects for this better interest rate by a quick review of monetary developments of the last 24 years. In the first 10 years of that period the basic monetary reserves of the country, gold, were increased from $4 billion to $24 billion. Of course, this increase in the supply of basic monetary reserves, the nation's "high-powered money," spelled a huge supply in loanable funds and that produced the low interest rates, the dismally low interest rates of 1935-1955.

We should be happy that those days are gone. Dead or "static" economies have no interest rates. Economically sick countries have low interest rates. I hope the healthy American economy we have today will come to be appreciated and that one of the best measures of its health, a firm, improved and satisfactory interest rate, will be applauded and not decried as it seems to be today. We should be proud of this new firm and higher interest rate because it records the great technological progress we are making.

Upward Price Pressures

However, when the rate of business investment in new plant and equipment is intense, we have two forces coming into operation which work toward the inflation of prices.

The first force is that business borrows money, and some of the money comes from banks to finance the expansion in investment. Borrowing money from banks enlarges the money supply.

That tends to work toward inflation.

The second force is that while all the new plants are being built, the incomes of the builders—the steel workers, pipe fitters, construction men, etc.—are being enlarged but goods do not flow from the new factories and generating plants until they are finished and "turned on steam" or have someone "throw the switch."

The larger income then competes in the market for a supply of goods not yet accordingly increased. The result is pressure towards inflation.

For the remainder of 1957 the plans of business for spending call for an increase in investment in new plant and equipment at the annual rate of about 8 or 10% compared to the increase of 28% last year. Clearly the inflationary pressure should abate soon.

At the same time as the heavier investment in new plant made in 1956-1957 is completed, more supplies of goods should be available to dampen price inflation. The monetary authorities are very careful and very judicially assisting in producing the needed restraint on money supplies.

Rising Incomes and Insurance

Thus in the processes I have described, our economy has laid the seeds for a flourishing, growing family income in America. In 1945 average family income was about $4,000. That bought the necessities of life, the prices of which were now inflated by about one-third. By 1950 average family income passed the $5,000 level with only moderate inflation after that year. For example, from 1951 to 1956 the cost of living rose only 4% while the average rate of pay for all factory workers rose 20%.

Family incomes in 1955 were $5,520. By 1960 the average family income will be, according to the Twentieth Century Fund, $6,125 and in 1965 the original conservative estimate was for an average family income of $6,760. This conservative estimate was first given by President Eisenhower in 1954. The gains in output have so substantially exceeded the rate of gain he first gave in 1954 that we can safely estimate that family income in 1965 will average $7,000. One only needs to measure the amount of life insurance which can and is being bought by families which have $7,000 of income in comparison with families having a yearly income of $5,000 to come to appreciate the enormous size of the future market for life insurance. As this particular step in rising incomes is taken, namely an increase of 40%, I am sure the capacity to buy life insurance rises by something in excess of 100%.

With this optimistic picture we should give some idea of the reliability of the estimates. Here happily we have the first estimate of rising national output in the United States made by President Eisenhower in 1954. At that time an estimate was prepared of total production in the United States as it could be without any rise in prices in the year 1965.

Two and one-half years have passed since this estimate was prepared and used approvingly by the President. We are now able to check up on how well the United States economy has done in the 2½-year period which has elapsed.

I am happy to report that we are running almost a full 100% ahead of the schedule the President laid out for the American economy and of this factor of safety of 100% only a very minor fraction is accounted for by the modest inflation which has occurred.

Thus, the outlook ahead is indeed good.

Chase Manhattan Bank Group Offers Issue of Atlanta, Ga., Bonds

Offering of $15,465,000 City of Atlanta, Georgia 3¼% bonds maturing Dec. 1, 1958 to 1986, inclusive, was made July 17 by a banking group headed by The Chase Manhattan Bank. The group won the bonds on a bid of 98.2276. The bonds are priced to yield from 2.40% to 3.45%, according to maturity and are legal investment for savings banks and trust funds in New York State. These bonds will be issued for school, water, sewer and other municipal improvements.

Other members of the underwriting group are: The First National City Bank of New York; Smith, Barney & Co.; Blyth & Co., Inc.; Harriman Ripley & Co. Inc.; The Northern Trust Company; Harris Trust & Savings Bank; Trust Company of Georgia; Phelps, Fenn & Co.; Mercantile Trust Company; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; Carl M. Loeb, Rhoades & Co.

The Robinson-Humphrey Company, Inc.; The First National Bank, Atlanta; First of Michigan Corporation; The First National Bank of Memphis; Courts & Co.; Dick & Merle-Smith; Laurence M. Marks & Co.; Braun, Bosworth & Co. Inc.; Clark, Dodge & Co.; The Citizens & Southern National Bank, Atlanta; Roosevelt & Cross Inc.; Shearson, Hammill & Co.; William Blair & Co.; Brown Brothers Harriman & Co.; C. F. Childs & Co. Inc.

City National Bank & Trust Co., Kansas City; Eldredge & Co. Inc.; King, Quirk & Co. Inc.; Robert Winthrop & Co.; First Southeastern Corp., Atlanta; Hannahs, Ballin & Lee; The National City Bank of Cleveland; Newman Brown & Co. Inc.; Third National Bank in Nashville; J. W. Tindall & Co.; Varnedoe, Chisholm & Co. Inc.; Wyatt, Neal & Waggoner.

H. P. Lee Opens

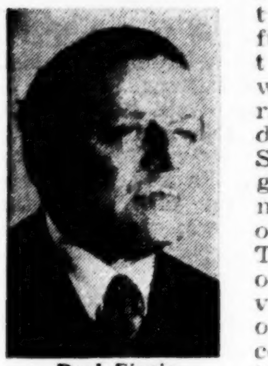
MIDLOTHIAN, Texas — Homer P. Lee is engaging in a securities business from offices at 624 South 14th Street.

Is Britain Facing a Crisis?

By PAUL EINZIG

Noting that the fall in British gilt-edged market has gone far beyond extreme pessimistic expectations, a leading British economic observer declares that if this should continue it "would entail far graver dangers than another devaluation of the pound." Dr. Einzig criticizes the Chancellor of the Exchequer's policy of exhortation and the Government's policy of being oblivious to the gravity of the situation. Suggests showdown against unwarranted wage increases even though the Government has been weak, according to the writer, in facing this economic danger.

LONDON, Eng. — There is a growing uneasiness in Britain about the possibility of an acute deterioration of the economic situation in the near future. Inflation which was temporarily slowed down after the Suez crisis is gathering momentum once more. The number of unfilled vacancies now once more exceeds that of the unemployed — a sure indication of inflationary overfull-employment. Instalment credit is expanding in spite of the recent reinforcement of the restrictions imposed on the terms of such transactions. In addition to the wages demands, many large unions have put forward demands for the 40-hour week. If this is conceded it will either reduce the output or it would increase the amount paid out in overtime. In either case it would powerfully reinforce the trend of inflation.



Paul Einzig

Although it may take months before this additional consumer demand will produce its inevitable effect on the balance of payments. Long before that stage is reached the anticipation of a further rise in prices is liable to produce its effect on the market for Government loans. Yet even now, in spite of the daily headlines about the fall in Government loans, very few people seem to realize that this has become the most vulnerable spot in Britain's economy. The gap in the balance of payments may be met by drawing on the newly acquired dollar facilities, or by checking the outflow of capital. This latter device was recently applied against the acquisition of Canadian securities. But no such technical devices are available to check the adverse trend in the markets for fixed interest-bearing securities.

Already the depreciation of Government Loans has gone far beyond what even extreme pessimists considered until recently to be possible. Until a month or two ago a decline of 3½% War Loan below 70, or of 2½% Consols below 50, was considered inconceivable. Whenever their quotation approached those figures the psychological factor resulted in a revival of demand. Today both quotations are well below that "limit."

More Dangerous Than Another Devaluation

It is not realized sufficiently that the decline in the gilt-edged market, if it should continue, would entail far graver dangers than another devaluation of the pound. After all it is well to remember that a large proportion of the investment of banks and insurance companies consists of the Government securities. It is true the average redemption date of their holdings has been reduced and short-dated or medium-dated stocks are not affected by the fall to the same extent as long-dated stocks. Even so, the decline in the gilt-edged market has materially reduced the reserves of most financial institutions.

The Government's attitude is criticized as being one of inaction and complacency. Although the Government may resort to minor measures in addition to the recently imposed embargo on the import of Canadian securities, there are no present indications of any intendment to face the situation with a series of sufficiently drastic measures. Major changes in monetary policy are intended to be deferred until the report of the Radcliffe Committee will become available, which will be sometime next year. The Government emphatically disclaims any intention to introduce an Autumn Budget. Possibly there may be some curtailment of the capital expenditure programme of the Government and of nationalized industries. It is always easier to reduce such programmes with a stroke of the pen than to try to reduce consumption. Judging by the latest official pronouncements, the Government still seems to rely mainly on futile efforts of exhortations as the means to check inflation. Unfortunately, in face of the recent Government decision to raise the salaries of Members of Parliament and of Ministers, the preaching of self-denial stands very little chance of making an impression. The plundering of the community by organized labor will continue unless and until the Government and employers muster up their courage to call a halt. And there are no indications of any such heroic determination.

Retreat from Firmness

Originally, it was believed to have been the Government's intention earlier this year to encourage employers to have a showdown with the Trade Unions by making a determined stand against unwarranted wages demands. It was partly in order to be able to withstand the effect of a major strike on the balance of payments that the recent arrangements for reinforcing the gold and dollar reserves were made. When the decisive moment arrived, however, on the occasion of the engineering and shipbuilding strike, the Government got cold feet and induced the employers to settle the wages demands. After that retreat it will not be easy to make another stand unless and until realization of the imminent dangers of the situation will lend the Government and employers courage of despair.

The attitude of the Socialist Opposition is far from helpful. There would be ample scope for goading the Government into action by constructive criticism. Socialist leaders could establish reputation for statesmanship by calling on the rank and file to exercise self-restraint in their wages demand in the interest of avoiding a crisis. There is no evidence of such statesmanship in the Labor Party today. Its chief concern is to make political capital out of the difficulties in which the Government finds itself. Pressure on the Government in favor of a further increase of social service expenditure continues unabated. Conceivably if the Labor Party were in office they would act in many ways more intelligently in face of the present situation. But, having committed themselves to considerable additional expenditure, the implementation of only a fraction of their commitments would greatly aggravate the difficulties. Even the Conservative Government seems to be utterly incapable of cutting down or even keeping down public expenditure. Under the Socialists it would undergo a spectacular increase.

Quite possibly the Government may achieve temporary respite by a series of minor measures. The mere anticipation of firm action resulted in recently a rally in the gilt-edged market, but it was followed by a relapse when it was found that a much-awaited speech by the Chancellor of the Exchequer contained little else but exhortations. Drastic action is urgently needed. Unfortunately, the Government appears to be oblivious of the gravity of the situation and the urgency of the relief measures called for.

C.I.T. Offers Debs. on New Type Bond Plan

C. I. T. Financial Corp., the nation's largest consumer and industrial finance company, on July 15 instituted a public offering of $100,000,000 of debentures to be issued in various series and to be sold over a continuing period of time.

The plan is unique because it is customary for major securities offerings of this size to be marketed at one time through a firm purchase commitment by a group of underwriters.

Initially, C. I. T. has established seven series of debentures, bearing a coupon rate of 4¾% and due on July 1 of each year from 1960 through 1966. They are being offered at prices ranging from 100% to 99% plus accrued interest, depending upon the maturity date and to yield 4.75% to 4.89%.

Salomon Bros. & Hutzler has been named agent for the sale and distribution of the debentures.

A spokesman for C. I. T. said the debentures of the seven series offered on July 15 will not be redeemable prior to maturity. The amount of debentures of any particular series which may be issued and sold is flexible, subject only to the limitation of the $100,000,000 over-all authorization.

The registration statement filed with the Securities and Exchange Commission, which became effective July 12, 1957, stated that, at the company's option and unless sold out at an earlier date, the offering will be a continuous one running at least until April 1, 1959.

C. I. T. intends to make available maturities suited to the preferences of purchasers and to vary from time to time the series offered and the offering prices based on market conditions and the company's requirements for funds. The company also reserves the right to vary the price at which any of the series debentures are being offered, to terminate the offering of any or all series, and to add or substitute series debentures of other series which may be established in the future.

Net proceeds from the sale of the series debentures will be used primarily to refund other debt and to furnish additional working funds to C. I. T.'s subsidiaries.

I. R. Friedman Opens

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Irving R. Friedman is engaging in a securities business from offices at 1238 Coldwater Canyon.

William H. Ferris Opens

(Special to THE FINANCIAL CHRONICLE)

SAN MATEO, Calif. — William H. Ferris is engaging in a securities business from offices at 22 Second Ave.

Continued from page 5

U.S.-Canada Economic Momentum And Automation's Prospects

tronics manufacturers should be critically reviewed.

Even now labor accounts for only about 8% of the price of a television receiver. The only way to assess the true savings which might result from increased mechanization would be to include all the labor, material, and overhead figures plus the cost of depreciation of the assembly equipment. The cost of this depreciation may be high for some of the elaborately mechanized assembly equipments.

Many components for use in automatic assembly equipment are much more costly than similar components for conventional assembly methods. There is, indeed, a philosophy as yet unrealized on which many engineers and production people have been unwisely basing their overall cost estimates. This is the philosophy that parts and material must be adapted to the machine and *at no increase in cost*. Actually, the very much closer mechanical tolerances of the parts themselves, including the length and spacing between associated leads and terminals, the addition of locating bars and slots, all required to permit automatic insertion, so far have added substantially to costs.

In order to minimize the enormous investment in capital equipment which will also be required for molds, tools and dies, the various component industries must individually and severally standardize on as few practical sizes, shapes and terminal connections as possible. For example, it costs about $30,000 just for tooling a single large volume production mold for one physical size and style of a molded paper capacitor.

The ideal situation, of course, would be to adapt the machine design to make use of low cost component parts which have been supplied in the billions to the electronics industry. This applies not only to the common parts for radio and television but for military electronics as well.

Some Drawbacks

Apart from the cost of depreciation and the new demands on the component parts industry, manufacturers using highly mechanized assembly equipment have reported that the freezing of their designs has sometimes meant that they cannot use newly produced parts, which would have cost them less money, because of the inability of the machine to accommodate other form factors or types of components. In addition, manufacturers have reported a great deal of down time due to the problem of obtaining parts with close enough tolerances to be fed by machine without jamming.

Also, short production runs are not justified on a giant machine and there is the tendency to pool weeks of production so that the machine does not have to be set-up again for each minor variation of the production schedule. Because long runs are required, this has meant, in some cases, more in-process inventory and, in other cases, has meant inventory shortages because the machine gobbled-up parts for one assembly before material control groups could adjust the flow of incoming material and component parts. Even with these disadvantages, and if no cost saving can be justified, a significant improvement in uniformity of product might, in itself, justify the cost and effort involved. This may be particularly true of some very complex electronic equipment, like the SAGE System which will be used in our National Defense.

Great interest has, therefore, been paid to single insertion machines through which complex electronic equipment can be recycled to give the short run feature desired. I am certain that I am stating nothing new when I say that government and privately sponsored contracts are looking toward short-run mechanization equipment in order to achieve the uniformity which is desired.

Short Run Machines

Other manufacturers believe that they can achieve the results of the short run machine (since this equipment is not a practical reality today) by using complex subassemblies pre-tested to perform a specific circuit function. The data processing equipment industry and the radio and television industry have thousands of similar subassemblies in the form of gate circuits, flip-flop circuits, discriminator circuits, shift register circuits, and the like. These assemblies have been reduced in many cases to pre-tested little "black" boxes — which are manufactured to perform circuit functions and which are usually specified in terms of the operating parameters of the end equipment. These have the virtue of being dynamic components, instead of a series of individual component parts with their associated tolerances, which may or may not give the dynamic responses required.

As one example, my company has for a number of years been active in developing printed circuits based on the use of high dielectric constant ceramic plates, which serve as the active dielectric of capacitors and as a base for printed resistors and related wiring. More recently, we have been experimenting with extensions of this technique to incorporate other components such as diodes and transistors to form self-contained, plug-in circuits. We believe we now have sufficient experience to show quite conclusively that the cost of assembling a complete electronic device by this method will in many cases be fully competitive, and in some cases lower, than the cost of producing the same circuit by more elaborately mechanized systems.

Because of the lack of perfection of mechanization equipment, many manufacturers, especially for short runs, still rely on insertion of components by a very complex machine on which there is no depreciation, which can be readily obtained, can be set-up to do the job quickly. I refer to the skilled female worker who is the backbone of most of our electronics assembly lines.

Introduced Gradually

From this it is obvious that the introduction of automation on a mass scale will require an enormous total investment of minor and skilled man power and must, therefore, be a slow and gradual process. These changes may require redesign of existing plants or the construction of new ones. Lord Halsbury, an English authority on industrial technology, likens a factory to a lobster which must shed its shell or framework in order to grow. "We must accordingly wait for a new generation of factories to see the full consequences of automation." The net effect on labor, he believes, is "in the direction of increasing skill . . . at the expense of the unskilled."

Our immediate problems of today and of the near future are concerned very much with the growing shortage of trained manpower while at the same time we strive for increased output with

better uniformity of product. How we, in the electronics industry, will achieve increased production is the problem. I venture to suggest that we will be able to combine the use of advanced components and subassemblies, of mechanization, and of automation as it develops. By combining these three elements, we will have a more powerful cost-saving system in the end than through any single approach by itself.

Complementary Economies

Before closing, I would like to refer back to the state of financial well being now enjoyed in our two countries. It seems to me no accident that Canada and the United States have shared an astonishing decade-long growth. In many respects the economies of the two countries are complementary, and each is the other's best customer.

United States capital has played a significant role in Canada's economic development. Canada's raw materials have measurably assisted my own country's continuing industrial growth. I am aware that there are frictions—that there are modest trade barriers which can and probably will be adjusted to our mutual long-run advantage. I also believe that time and patience will give Canadians more authority and autonomy in the operation of Canadian branches of United States firms.

Our nations and our economies are still youngsters in comparison with those of Europe and Asia. We in this new world have been able to select the best elements of older cultures and skillfully build them into our own democratic systems. Over the past 10 years we have worked as partners in devising and demonstrating to the rest of the world a pattern and a record of economic growth and expansion which is surely unequaled. We have developed here in North America an economic momentum which I believe carries with it a great potential for the decade immediately ahead of us.

Soo Line Ctfs. Sold

Halsey, Stuart & Co. Inc., and associates on July 12 offered $1,740,000 of Minneapolis, St. Paul & Sault Ste. Marie RR. 4⅞% equipment trust certificates, series D, maturing semi-annually, Feb. 1, 1958 to Aug. 1, 1972, inclusive. The certificates were priced to yield from 4% to 4.85%, according to maturity.

Issuance and sale of the certificates are subject to authorization of the Interstate Commerce Commission.

The issue is to be secured by 300 all steel box cars estimated to cost $2,200,000.

Participating in the offering are—Dick & Merle-Smith; R. W. Pressprich & Co.; Freeman & Co. and McMaster Hutchinson & Co.

FIC Banks Place Debs.

The Federal Intermediate Credit Banks offered yesterday (July 17) a new issue of approximately $65,000,000 of 4.20% 9-month debentures, dated Aug. 1, 1957 and maturing May 1, 1958. The debentures are priced at par. It was also announced that of outstanding maturities, $11,000,000 of 3⅞% debentures maturing Oct. 1, 1957 were sold and privately placed. Proceeds from the financing will be used to refund $65,000,000 of 3¾% debentures maturing Aug. 1, 1957 and for lending operations.

The new issue is being offered through John T. Knox, fiscal agent, and a nationwide selling group of recognized dealers in securities.

Opens Investment Office

Sybil Trubin is engaging in a securities business from offices at 140 West 86th Street, New York City.

Kuhn, Loeb Group Offers Inland Steel 4⅜% 1st Mtge. Bds.

A nationwide underwriting group of 103 members headed by Kuhn, Loeb & Co. yesterday (July 17) offered to the public $50,000,000 of Inland Steel Co. first mortgage 4⅜% bonds, series K, due July 1, 1987, at par and accrued interest.

Net proceeds from the sale of the bonds will be used to help finance Inland Steel's construction and improvement program which involves an estimated expenditure of approximately $280,000,000 during the three-year period ending Dec. 31, 1958. The program contemplates, among other things, an increase in the annual steel-making capacity of Inland's Indiana Harbor, Ind., plant of approximately 800,000 net tons of ingots by the end of 1958, raising the annual capacity of the plant to 6,300,000 net tons. The construction and improvement program includes construction of three new 315-ton open hearth furnaces, a new slabbing mill, a new cold rolled mill, with an initial capacity of approximately 425,000 net tons, and additional sintering facilities which will increase annual blast furnace iron production by approximately 300,000 net tons; construction of a general office building in downtown Chicago; and development of mining properties and improvements to plants and facilities.

The series K issue carries an annual mandatory sinking fund of $1,500,000 principal amount of bonds on each July 1 from 1960 through 1986 and the company at its option may redeem an additional $1,500,000 principal amount during each of such years. The bonds will be redeemable for the sinking fund at par and at the option of the company, beginning July 1, 1967, at redemption prices ranging from 103½% to par two years prior to maturity, plus accrued interest in each case.

Inland Steel is the eighth largest steel producer in the United States. Its Indiana Harbor plant, which produces all of Inland's steel, is the fourth largest steel producing plant in the United States.

For the year 1956 the company and its subsidiaries had consolidated sales and other revenues of $731,768,000 and net income of $52,999,000.

Neb. Inv. Bankers to Hold Fall Field Day

OMAHA, Neb. — The Nebraska Investment Bankers Association will have their annual Frolic & Field Day on Thursday, Oct. 10, at the Happy Hollow Country Club. A cocktail party will be held Wednesday night, Oct. 9, at the Omaha Club.

Phil J. Tierney, Harris, Upham & Co., is general chairman of the Field Day.

With Daniel D. Weston

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Ervin J. Urman is now with Daniel D. Weston & Co., Inc., 9235 Wilshire Boulevard, members of the Pacific Coast Stock Exchange.

Syndicats Outing June 28

At Nassau Country Club, Glen Cove, L. I.

The Syndicats, association of the secretaries of Wall Street syndicate managers, held their annual outing June 28th at the Nassau Country Club, Glen Cove, L. I., under the sponsorship of Robert C. Dunne, Purcell & Co., and Edward Schoenhof, Lehman Brothers.

At the annual election of officers, held the same day, Gertrude Herrington, Smith Barney & Co., was named President for 1957-58, and Mae McDonnell, Blyth & Co., Inc., Treasurer.

Winifred Lees, *Kidder, Peabody & Co.;* Edith McGill, *First Boston Corporation*

Mary O'Rourke, *Reynolds & Co.;* Claire Borick Friend, *Blyth & Co., Inc.;* Elayne Whalen, *Blair & Co. Incorporated;* Gertrude Herrington, *Smith, Barney & Co.,* Lillian Neylon, *Harriman Ripley & Co., Inc.*

Ruth Ainsworth, *Halsey, Stuart & Co.;* Dorothy Boardman, *Eastman Dillon, Union Securities & Co.;* Virginia Smithers, *Merrill Lynch, Pierce, Fenner & Beane;* Ruth Curtaine, *White, Weld & Co.*

Mae McDonnell, *Blyth & Co., Inc.,* treasurer; Gertrude Herrington, *Smith, Barney & Co.,* president; Ruth Ainsworth, *Halsey, Stuart & Co.,* retiring president; Marion Lynch, *F. S. Moseley & Co.,* retiring treasurer

Elayne Whalen, *Blair & Co. Incorporated;* Peggy Cronin, *Lehman Brothers;* Marion Lynch, *F. S. Moseley & Co.;* Kathryn McCarthy, *Wm. A. M. Burden & Co.;* Anne Enright, *Shearson, Hammill & Co.;* Marguerite Kascle, *Riter & Co.*

Bullis Optimistic On Business For Balance of Year

General Mills' Chairman claims the business outlook for balance of 1957 is good and, barring unforeseen international complications, the long-range prospects are even better.

The outlook for business for the remainder of the calendar year 1957 is good, says Harry A. Bullis, Chairman of General Mills Corp.

Harry A. Bullis

A total Gross National Production of 440 billion dollars is expected by the end of the year. While the first quarter lull in economic activity has practically reached a close and a generally satisfactory rate of gain is in prospect, there is a threat of inflation in the period ahead, he said. Defining inflation as "rising prices," it looks as though we will continue to have mild inflation. It would appear that money rates are bound to continue high for some time ahead. Continuing, Mr. Bullis said:

"Expenditures for plant and equipment should reach a new high of $37.9 billion annual rate for the third quarter, and while this record-breaking rate of investment may be slightly checked in the future, the supply of goods will be increased with increased efficiency of production. Family incomes are growing. In 1945, they averaged about $4,000. In 1955, they were $5,520. By 1960, it is estimated, average family incomes will be around $6,125, and by 1965 around $7,000. Consumers will have money to spend.

"Research, invention, and innovation continue to develop new products, new processes, and new methods which are compelling factors in progress. We should realize the almost indescribable technological revolution, or rather evolution, in which we presently find ourselves. This evolution will do much to change industrial life and expand the fortunes of the people. While the new technology is being mastered and developed, there will be adjustments in various industries, but our people like this economic development, and, in spite of a mildly rising price level, seem to be willing to pay the price for prosperity. Unless serious unforeseen complications develop on the international scene, the long-range prospects look very good indeed."

Pennsylvania Bankers Summer School in Aug.

HARRISBURG, Pa.—The Pennsylvania Bankers Association will hold its annual summer school at Bucknell University, Lewisburg, Pa., Aug. 18-23. The school will be divided into a "Bank Operations" and "Bank Lending" section, four hours of classes for each will be held on the five days.

Bingham, Walter Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Ronald G. Bishop has joined the staff of Bingham, Walter & Hurry, Inc., 621 South Spring Street, members of the Pacific Coast Stock Exchange. He was previously with Boren & Co.

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Coal Faces a Challenge

quate car supply and motive power.

Those responsible for providing adequate coal-hauling equipment should at least devote a fair proportion of the revenues from increased rates to the acquisition and maintenance of such equipment. Proper recognition is here given to some segments of the transportation industry for their accomplishments in this field.

The Report of the Presidential Advisory Committee on Energy Supplies and Resources Policy issued Feb. 26, 1955, very appropriately pointed up some of the coal industry's problems. Remedial measures were recommended. Coal industry leaders, officers of the association and the association's staff have energetically endeavored to secure implementation of those recommendations along with the multitude of other tasks they must perform. They have held numerous conferences and transmitted well documented communications to the Executive Office, the interested Executive departments and agencies of the government and the Congress in attempts to secure favorable action. Notwithstanding the diligence of the industry representatives, none of the report's recommendations have been effectively prosecuted by the Administration. Nor will it likely be done unless the industry and all those who recognize its vital place in the nation's economy persist in aggressive demands for appropriate action.

The matters I have mentioned are among the steps that must be taken for coal to meet its challenge. To do the job successfully in the interest of the public generally, the consumer and the coal producer, we must have a consolidation and coordination of industry viewpoints and efforts. National Coal Association has been and will continue to be the rallying point for that consolidation and coordination. This has been made possible by the unremitting effort of the association's committees. I have mentioned some of them. All of them are entitled to a proportionate share of the credit. In cooperation with other industry organizations, we will continue to disseminate the facts concerning the industry and finally overcome the factual and psychological obstacles that now stand in the way of complete recognition of coal's importance to the nation's economy.

F. W. Schwarz Opens

NEWARK, N. J.—Frederick W. Schwarz is conducting a securities business from offices at 606 Summer Ave.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The improved tone in the government market is still attributable to the better showing being made by corporate and tax exempt bonds. There is very little breadth to the government market because investors interest in these obligations, aside from the shortest maturities, continues to be rather limited. Accordingly, the day-to-day price movements in these securities is still mainly a professional operation.

The Treasury refunding is expected to be announced very shortly (probably today, 7/18), with the talk now that there will be a split offering, consisting of a short certificate that might be nine months or less, and a one year maturity. The shortest issue to carry a rate from 3⅜% to 3¾%, depending on the maturity. The one year certificate rate being guessed at is 3⅞%. By staying with short maturities, it is hoped the amount of the attrition will be kept down. A medium term maturity has also been mentioned, but this would most likely have to have a 4% rate which the Treasury would probably be reluctant to do.

Humphrey Feels High Rates Can Be "Overdone"

Secretary of the Treasury Humphrey, testifying before the Senate Finance Committee, indicated that he is opposed to any increase in the discount rate at the present time. Also Mr. Humphrey told the Committee, he felt high interest rates can be "overdone." These statements undoubtedly reflect the thinking of more than Mr. Humphrey, since it is well known that White House economists have also been of the opinion that Federal Reserve credit restraints over the last two years are beginning to have a marked effect on the economy. To be sure, the answer as to whether or not the restrictive monetary policies of the Federal Reserve Board will be changed is going to depend upon the future course of business and the continued strength of the price-wage spiral.

Central Bank Borrowings Meager

There has been more than a minor amount of opinion in the money market for a long time now as to the effectiveness of continually rising interest rates in view of the high tax rate and the prevailing belief that business will continue to be favorable for an extended period of time. The discount rate has in the past been a penalty rate, but this has not been true for a long time. Borrowings from the Central Banks by member institutions have been small and, as long as there is no important increase in this kind of loan, there does not appear to be real need for an increase in the discount rate, even though the Treasury bill rate has been consistently above the Central Bank borrowing rate for some time now.

Treasury Favors Unchanged Discount Rate

The discount rate, as far as the current monetary policy of the powers that be is concerned, has been used to confirm or to indicate a continuation of the program which has been in operation and not as a penalty rate. Also, it is evident that as long as the wage-price spiral continues in full force, there will certainly be no lowering of the Central Bank rate. It is well known that the Treasury will have to come into the market very soon to refund the August maturities, and the government does not want to pay higher rates on the securities it will offer in exchange for the maturing ones than it has to.

Also, the highest rate the Treasury can presently pay on its borrowings is 4¼%, which does not give them too much leeway at this time. Therefore, it would seem to be to the advantage of the Treasury to keep the discount rate at the present level of 3%.

Higher Discount Rate Not Ruled Out

In spite of Secretary Humphrey's statement that he is opposed to an increase in the discount rate at this time, there is considerable opinion around still that the Central Bank rate will be raised after the refunding operation of the Treasury is out of the way. For sure, if there should be an important increase in discounts and advances with the Federal Reserve Banks, after making some allowance for the seasonal loan demand, there will be an upping of the discount rate. This would most likely result in an increase in the rate structure for all loans, with the prime bank rate, now at 4%, leading the parade.

There is no doubt but what higher interest rates would also have further adverse effects on the saving bond program of the Treasury because this would most likely accelerate the redemption of these bonds. Reports continue to indicate that an increasing amount of the money from savings bond cash-ins are being reinvested in common stocks, although fixed income non-Treasury bonds are still the leading investment media for this money.

Humphrey's Views on Treasury Bond Price Level

Mr. Humphrey's statement that the Treasury could not sell a 50-year government bond at this, bears out what the market has been saying about these securities. On the other hand, his opinion that government bonds could be close to a bottom cannot be ignored either, since it would not take very much of a change in economic conditions to bring about easier money rates.

Wellington Hunter Assoc. Opens Branch in NYC

Wellington Hunter Associates of Jersey City, N. J., has opened a branch office at 336 East 43rd Street, New York City, under the management of Kennedy Boardman.

Joins Boren Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Donavon R. Wallace is now connected with Boren & Co., 9640 Santa Monica Boulevard. He was previously with Daniel D. Weston & Co., Inc.

Continued from first page

Relative Value of Earnings: Retained and Distributed

impact upon valuation of distributed earnings as compared with retained earnings.

Two pioneer studies in 1945 and 1946[1] appeared to suggest that distributed earnings were worth as much as four times as much as retained earnings in utility common stock valuation. Graham and Dodd in the third revision of their classic "Security Analysis"[2] in 1951 offered a specific formula to express the relative importance of earnings retained and distributed. This formula was suggested in the belief that the dividend factor should have a coordinate position with earnings in the valuation process. This formula was:

$$V = M\,(D + \tfrac{1}{3}\,E)$$

Where V = value, D = expected dividend, M = multiplier, and E = expected earnings.

It will be observed that this formula yields the same results as the traditional approach only when the dividend payout is ⅔. If the payout is more than ⅔, V will exceed M (E) and where the payout is less than ⅔, V will be less than M (E).

If a stock is expected to earn $3 and if the multiplier is 10 with a normal payout of ⅔, then with a full payout the value according to the formula would be 40, or 10 (3 + 1), but with a zero payout the value would be 10, or 10 (0 + 1). The formula suggests, then, that $1 of earnings paid out in dividends exerts an influence on market price four times as great as $1 of earnings not distributed.

This conclusion was subsequently verified in a study by the present author based on a small sample of paired stocks.[3] In a more comprehensive study based on the Cowles All-Stock Index for the period 1871-1937 and several Standard and Poor Indexes, Harkavy[4] demonstrated, (1) that at any given time, there is a tendency for stock prices to vary directly with the proportion of earnings distributed, and (2) over a period of years, the stocks of those corporations retaining the greater proportion of earnings tend to exhibit the greater price appreciation. But his studies of individual companies indicated that retention of income was not the cause of outstanding price appreciation; the crucial factor was considered to be the profitable utilization of investor's funds since in many cases there was little appreciation even where payout ratios were low. In other words the payout ratio was low because of opportunity for profitable expansion but the growth in share price was not caused by low payouts.

Growth Stocks

There is no real contradiction in asserting that any given time the price-earnings ratios of common stocks vary directly with their payout ratios while over a period of time greater price appreciation will be associated with lower payouts. Nevertheless it had been rather generally taken for granted that the payout ratio played a less important role in the valuation of growth stocks than in the valuation of non-growth stocks. Graham and Dodd[2] expressed the view that while a low payout ratio is not considered by investors to be an advantage even in the case of growth stocks that it is largely ignored "when a company is considered to be highly dynamic."

Apparently the first attempt to measure the impact of the payout ratio on market price was made by Harkavy in the study previously mentioned.[4] For the Cowles Chemical Stock Index, 1908-1937 he found a high correlation (0.78) between price-earnings ratios and dividend earnings ratios. This is to say that for chemical stocks which have had a strong growth trend it appears that any given time investors prefer dividends over reinvested earnings.

Notwithstanding this evidence, Walter[5] has proposed a formula for common stock valuation in which the impact of the dividend payout ratio is closely related to the relationships between the rate of return on additional investment (for the particular corporation) and the market capitalization rate. The formula follows:

$$V = \frac{D + \frac{R_a}{R_c}\,(E - D)}{R_c}$$

Where D is cash dividends, E is earnings, Ra is the rate of return on additional investment and Rc is the market capitalization rate. It should be noted, however, that Rc is the market capitalization rate adjusted to a 100% payout ratio.

It will be observed that whenever Ra is greater than Rc the lower the dividend payout ratio the higher will be the valuation. Under these circumstances a dividend reduction or omission would serve to increase the value of the stock. The following illustration would appear to be reasonably typical of growth stock:

Earned per share	$4.00
Rate of return on new capital investment (Ra)	16.0%
Capitalization rate assuming full dividend payout	8.0%

The suggested formula would produce the following values at varying dividend rates:

Dividend	Valuation
4	50.00
3	62.50
2	75.00
1	87.50
0	100.00

It was assumed apparently that owners of corporate stock regard the corporation as a sort of bank and that undistributed earnings are in effect "deposited" to the credit of the stockholders. If this assumption is valid it is clear that in the case of growth companies the lower the dividend payout ratio the higher the valuation. The premium on such low payout growth stocks could be regarded as the price of the privilege of "depositing" undistributed earnings at the high marginal rate of return earned by the corporation.

Whether this assumed investor attitude is rational is not the subject of this inquiry. The purpose of this study is to determine, if possible, whether in the case of growth stocks investors do in fact place a value on the dividend that is independent of the earnings factor. General observation indicates that prices of growth stocks are positively related to dividend payout ratios. This was Harkavy's conclusion in the case of chemical stocks in the 1908-1937 period. This appears to be the only study of the relationships of price-earnings ratios and payout ratios of a group of stocks that may be reasonably described as growth stocks. But the sample was limited to a single industry and, in addition, it is not impossible that investor attitudes have changed since 1937. Indeed there is some reason to suppose that investor attitudes may have changed during the test period 1908-1937. The concept of the growth stock cannot be dated with any precision but it was certainly many years after 1908.

The present study will be concerned, then, with investor attitudes toward earnings retained and distributed at a given moment of time. It will not attempt to determine whether earnings retention is or is not a cause of growth. Indeed Harkavy has demonstrated that it is growth that causes earnings retention and not vice versa. This study will not attempt to determine what investor attitude ought to be. It will be concerned solely with the relative impact upon valuation of growth stocks of earnings retained and earnings distributed.

What Is a Growth Stock?

The definition of a growth stock is not easy. It is not simply a stock whose price has risen greatly. Neither can a growth stock be defined as the stock of a company able to earn a high return on new capital investment. The railroad industry is certainly not considered to have growth characteristics even though the rate of return earned on *new* capital investment has been quite high. The return on total investment has been low and the opportunity for continued investment at high marginal rates is considered to be limited. Perhaps a growth stock is the stock of a company that is considered to have an excellent prospect to earn a high return on repeated increments of new capital over an extended or indefinite period of time.

But the precise definition of a growth stock is not at all essential. We are concerned with investor's attitude toward the dividend factor in stocks that the investor regards as growth stocks. This simplifies the problem. A growth stock is one that is widely regarded by investors as having growth characteristics. It is probably true that generally such stocks are characterized by low yields and high price-earnings ratios. But clearly not all stocks with low yields and high price-earnings ratios are considered to be growth stocks by investors. Low yield may be merely a consequence of an expectation of a near term increase in dividend rate. A high price-earnings ratio may reflect temporarily low earnings or a high degree of stability in earning power.

The stocks included in the sample were simply the stocks included in the portfolios of two open-end investment companies whose announced investment objective is long-term appreciation through holdings of common stocks considered to have growth characteristics. In both cases the term "growth stock" was included in the name of the fund. Presumably these stocks were selected by fund managers because they were considered (correctly or incorrectly) to be growth stocks. Moreover, buyers of open-end funds at least are given an opportunity to scrutinize the portfolio of such funds and it is not unreasonable to suppose that buyers of these funds generally accepted the idea that these portfolio stocks had growth characteristics. The hardened cynic may consider that the stocks were selected by the fund managers not on the basis of a belief that they were in fact

1 *Valuing Utility Earnings Distributed and Retained*, Hugh Pastoriza, *Analysts Journal*, July, 1945. *Factors Influencing Utility Price Earnings Ratios*, Harold H. Young, *Analysts Journal*, Spring, 1946.

2 *Security Analysis*, Benjamin Graham and David Dodd, McGraw-Hill, 1951.

3 *Dividends Versus Retained Earnings as Market Force*, O. K. Burrell, *Commercial and Financial Chronicle*, Aug. 21, 1952.

4 *Retained Earnings and Common Prices*, Oscar Harkavy, *The Journal of Finance*, September, 1953.

5 *Dividend Policies and Common Stock Prices*, James E. Walter, *Journal of Finance*, March, 1956.

growth stocks but rather that they were stocks that buyers of investment fund shares would consider to be growth stocks. Even if this view were correct it would only support the conclusion that these portfolio stocks are accepted quite generally as having growth characteristics.

Method of Study

The following outline more precisely describes the data and methods of analysis used:

(1) The sample of growth stocks was the stocks in the June 30, 1956 portfolio of Growth Industry Shares Inc. and the Aug. 31, 1956 portfolio of Massachusetts Investors Growth Stock Fund. The gross number of items in these two portfolios was 122. From this list was eliminated (1) stocks of companies for which no 1956 earnings estimate was available in the November 1956 S & P Stock Guide, and (2) stocks of companies whose annual dividend rate was not clearly indicated or included a regular dividend payable in stock rather than cash. After these eliminations and after allowing for duplications there remained a sample of 80 stocks.

(2) Dividend payout ratios and price-earnings ratios were then computed for these 80 stocks. The earnings used was the weighted average per share earnings (adjusted to present capitalization) for the years 1954, 1955 and the S & P estimate for 1956. Since recent earnings were considered to be more significant than more remote earnings, the weights assigned were one for 1954, two for 1955 and three for 1956. The dividend payout ratio was computed by dividing the annual dividend rate by the weighted average earnings for the three-year period. The price-earnings ratio was computed by dividing the Oct. 31, 1956 closing price (or bid price in the case of unlisted stocks) by the weighted average earnings.

(3) Paired stocks were then selected from the sample. The basis of pairing was essential similarity in all respects except payout ratio and dissimilarity in payout ratio. Perfect pairing is, of course, impossible but an attempt was made to pair only stocks of companies in the same industry and with closely similar previous growth records. Perhaps the most valid criticism of the selections is that in some cases the pairing did not involve a really high payout against a really low payout stock but rather a low payout paired with a much lower payout company. In the extreme case, American Airlines with a payout ratio of about 40% was paired with Eastern Airlines with a payout ratio of 21%. Mean and median price-earnings ratios, payout ratios, and dividend yields were then computed for the high payout group and for the low payout group.

(4) The entire sample of 80 stocks was then arranged in quartiles, according to payout ratios. Mean and median yields, and price earnings ratios were then computed for each quartile.

(5) The entire sample of 80 stocks was then arranged in quartiles, according to price-earnings ratios. Mean and median payout ratios and yields were then computed for each quartile.

The pairs selected were:

High Payout—

Searle (G. D.) Company
American Home Products
American Cyanamid
Du Pont
American Airlines
Aluminium Ltd.
Corning Glass
Republic Natural Gas
Amerada
Scott Paper
National Lead
General Electric
General Motors
Ex-Cell-O Corporation

Low Payout—

Smith, Kline and French
Pfizer (Charles) Co.
Merck Co.
Union Carbide
Eastern Airlines
Reynolds Metal
Gustin Bacon Mfg.
Shamrock Oil & Gas
Skelly
Sutherland Paper
Caterpillar
Radio Corporation of America
Ford Motor of Canada A
Chicago Pneumatic Tool

Results of Statistical Analysis

The high payout group rather consistently sold higher in relation to earnings than did the low payout group. Details are shown in the table below:

	High Payout	Low Payout
Mean payout ratio	63.8%	43.8%
Median payout ratio	70.5%	49.8%
Mean price earnings ratio	20.9%	15.2%
Merian price earns. ratio	23.5%	14.4%
Mean yield	3.2%	3.2%
Median Yield	3.2%	3.2%

The evidence here seems to be rather clear. The payout ratio is positively rather than negatively related to valuation of stocks of companies that are believed to have growth characteristics. Indeed, the identical dividend yields on the two groups might suggest that investors pay little attention to anything other than dividends. But this would be an oversimplification. That there are many variables other than the payout ratio is indicated by the variations in payout ratio within each group.

The relationship of higher price-earnings ratios with higher payout ratios was consistent. In only four cases out of the 14 pairs was the higher price earnings ratio associated with the lower payout stock. In these instances the differences were not great and are probably due to imperfect pairing or to differences in investor appraisal of the quality of earnings.

When the entire sample was arranged in quartiles according to payout ratio, the mean and median yields and price earnings ratios were as shown in the table below:

	Quartile 1 Low Payout	Quartile 2	Quartile 3	Quartile 4 High Payout
Mean payout ratio	36.0%	48.7%	54.8%	73.3%
Median payout ratio	38.5	49.5	54.4	71.1
Mean yield	2.8	3.4	4.0	3.7
Median yield	3.0	2.9	3.9	3.7
Mean price earnings ratio	13.9	17.8	14.5	21.3
Median price earnings ratio	12.8	16.8	13.8	18.1

It is evident that payout ratios tended to cluster in the 40%-50% range. It seems clear that really high payout rates are associated with high price earnings ratios and really low payout ratios with low price earnings ratios. But it is equally clear that the relationship between payout and price earnings ratio is not linear. Stocks in the third quartile on payout ratio had price earnings ratios only a little higher than stocks with the lowest payout ratios.

Finally, the 80 stocks were arranged in quartiles, according to price-earnings ratios, and median and mean payout ratios and yields computed. The results are shown in the table following:

	1st Quartile	2nd Quartile	3rd Quartile	4th Quartile
Mean price earnings ratio	10.0%	13.7%	16.8%	26.5%
Median price earnings ratio	10.1	13.8	16.9	24.3
Mean payout ratio	45.1	50.0	56.3	60.7
Median payout ratio	48.2	50.6	58.1	53.9
Mean yield	4.6	3.7	3.4	2.3

There appears to be a somewhat greater measure of internal consistency indicated in this arrangement of the data. Price earnings ratios and payout ratios are positively correlated. The higher the payout the higher the price relative to earnings.

Cause and Effect

When two factors are closely related it is never possible to be scientifically positive as to which is cause and which is effect, or indeed whether both have a common cause. Nevertheless, it seems evident that the payout ratio is the cause and the price-earnings ratio is the effect. The only conceivable basis for suggesting that the price-earnings ratio is a causal factor would be to assume that only corporations with high price-earnings ratios can sell additional stock to stockholders or the public and are therefore in a position to have a high payout during expansion. This does not appear to be a valid assumption since the period examined was one of high stock prices. Examination of companies in both high and low payout quartiles show no apparent difference in ability to sell additional common stock. Stocks in each category have done new common stock financing in recent years.

You may conclude then that payout ratio is a positive causal factor in the valuation of stocks considered to have growth characteristics. Investors do not regard retained earnings as equivalent to money deposited at a high earning rate. Investors want cash dividends even when it can be demonstrated that the rate of return on new corporate investment is high.

Blyth Group Offers Oxford Paper Stock

Blyth & Co. Inc. and associates offered publicly yesterday (July 17) an issue of 175,000 shares of Oxford Paper Co. common stock (par $15) at a price of $38.25 per share.

Net proceeds from the sale of the stock will be used, together with other company funds including retained earnings, to prepay $4,000,000 of the company's outstanding 4½% bank notes and to meet the costs of capital improvements totaling about $8,000,000 scheduled to be made in 1957 and 1958. The bank notes were issued in April, 1957 to provide most of the purchase price for interests in additional timber reserves in Maine.

Oxford Paper Co., together with its subsidiaries, produces and sells paper for magazines, books, commercial printing, converting operations and specialties. It is believed to be one of the larger producers of these types of paper, accounting for about 8% of the annual output of the book paper industry in the United States.

For the five months ended May 31, 1957, net sales of the company amounted to $25,777,000 and net income to $1,551,000, equal to $1.76 per share of common stock. This compares with net sales of $26,077,000 and net income of $1,872,000, or $2.18 per share, for the same period of 1956. For the full year 1956 net sales were $61,689,000 and net income $4,644,000, or $5.43 per share.

Dividends are currently being paid at the quarterly rate of 50 cents per share.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Frank Rosenberg and Irle I. Waller have joined the staff of Bache & Co., 445 North Roxbury Drive.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

While in all industrial groups there are some differences in price moves over a period, it is not uncommon for relatively concerted moves. For example, in recent years the oils have enjoyed a price action trend pretty much all their own; as have the chemicals. And to an important degree the utilities move together; as do the banks. But in the fire-casualty insurance stocks we find a considerable amount of divergence within the group. Some stocks over a five- to ten-year span do very well marketwise; others do relatively poorly.

There are a number of reasons for this diverse showing. Take a company which over the past seven or eight years had written, proportinately, a large volume of extended coverage (and there are such units). Assuming that its writings are well distributed geographically, such a company would in that period have experienced not only the devastation caused by the hurricanes that visited the high-value areas of the northeast coast, but its losses from tornado visits. These are costly, for there are so many of them. Well over 600 have been reported thus far in 1957, and this year is likely to hang up a record in numbers. While the tornadoes seldom hit high-value areas their numbers make up for any lack in that connection.

Further, property owners are becoming more extended coverage-minded, and this is part of the reason for the deplorable showing of that line in recent years. Of course, some rate upping has helped, as has the use of a deductible clause; but, after all, it will take many $50 deductibles to balance out the loss of a $15,000 home that has been blown into the next county.

Then there is the company that, never having written any of the more hazardous casualty lines such as compensation and motor vehicle lines, and then abruptly goes into the speculative field. Being new in these lines it cannot hope for anything but a highly expensive education, this being acquired at the expense of underwriting earnings, with consequent poor price action.

Then there are units that appear to be more concerned with volume of writings than with quality of risks. These cannot hope to see their stocks keep pace with the "blue chips." And what makes a stock a blue chip? Probably we must fall back on the much used word "Management," for it is management that is primarily responsible for what goes into the operation of an insurance company.

But let us look at the list to see what individual stocks did in the five years ended Dec. 31, last, and in ten years to that date.

Price Changes*

	5 Yrs. to 12/31/56	10 Yrs. to 12/31/56
Aetna Insurance	— 5%	+ 29%
Agricultural	— 2	+ 36
American Ins.	— 2	+100
Bankers & Shippers	+ 30	+169
Boston Ins.	— 17	+ 37
Continental Ins.	+ 15	+107
Federal Ins.	+ 33	+173
Fidelity Phenix	+ 15	+ 91
Fire Ass'n	----	+ 59
Fireman's Fund	----	+ 87
Firemen's Ins.	+ 17	+169
Glens Falls	+ 10	+ 60
Great American	— 2	+ 95
Hanover Ins.	— 16	+ 33
Hartford Fire	+ 22	+165
Home Insurance	— 6	+ 74
Ins. Co. of No. Amer.	+ 47	+242
National Fire	+ 21	+107
National Union	— 7	+ 17
New Hampshire	— 24	— 12
Northern Ins.	+ 23	+172
North River	— 6	+ 38
Pacific Fire	— 6	+144
Phoenix Ins.	— 9	+ 51
Providence Wash.	— 40	— 42
St. Paul Fire	+ 30	+162
Security Ins.	— 22	— 27
Springfield Fire	— 16	+ 5
United States Fire	+ 2	+ 83
Westchester	— 3	+ 53
Aetna Casualty	+ 62	+122
American ReInsur.	+ 22	+ 69
American Surety	+ 12	+ 29
Continental Casualty	+140	+537
Fidelity & Deposit	+150	+189
Massachusetts Bonding	+ 23	— 3
Seaboard Surety	+ 58	+168
U. S. Fid. & Guar.	+ 35	+117

*Adjustments have been made for stock dividends and splits. In the case of mergers, the data of the merging units have been combined, pro forma. In the case of rights, exercise of the rights is assumed.

Seaboard Air Line RR. Equipments Offered

Halsey, Stuart & Co. Inc., and associates on July 12 offered $5,460,000 of Seaboard Air Line RR. 4¼% equipment trust certificates, series R, maturing annually, Aug. 1, 1958 to 1972, inclusive. The certificates, first instalment of a total issue of $16,350,000, were scaled to yield from 4.15% to 4.35%, according to maturity.

Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The entire issue of certificates is to be secured by the following equipment estimated to cost $20,442,906; 700 hopper cars; 200 highside gondola cars; 700 low side gondola cars; 300 woodrack cars and 500 cement hopper cars.

Associates in the offering are: Dick & Merle-Smith; R. W. Pressprich & Co.; Baxter & Company; Freeman & Co.; McMaster Hutchinson & Co.; Wm. E. Pollock & Co. Inc.; and Shearson, Hammill & Co.

With H. Carroll Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Walter W. Patty has joined the staff of H. Carroll & Co., 324 North Camden Drive. Mr. Patty was formerly with Great Western Securities.

Warren Enters Opens

Warren Enters is conducting a securities business from offices at 47 West Sixty-Eighth Street, New York City.

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As We See It

tant, or at all events of less importance than what are regarded as the alternatives of labor strife, depressions and the like.

We believe, however, that the thoughtful man with the good of his country at heart will want to take a closer look at this strange concatenation of current trends. They are, of course, closely inter-related. It is not difficult to trace cause and effect among them, and when that is done, doubts about the wholesomeness of the combination are all but irresistible. It is the monopolistic position of organized labor, plus an attitude on the part of the public or that part of it which controls the votes, which enables the unions to demand and to get almost anything that its ambitious leaders decide to be in the interest of the men and of themselves. It is the high and rising cost of labor which all but obliges the employer to seek more and more labor saving machinery now made possible by advances in technology. It is rising costs which drives prices up despite a harder monetary policy, and notwithstanding a not altogether bullish statistical position of many if not most types of goods.

Up to the present sheer momentum, continued high employment, a rising volume of borrowing by consumers and others, a flexible monetary situation growing out of increasingly active use of funds already in existence, and the ebullience which the repeated assurance that depressions are to be no more, all have continued to keep the wheels turning at high though not fully maintained speed. But is this a sort of situation to give solid confidence in the longer term future—and it is the longer range future which should be receiving much more attention than it is getting in this "cycle-mad" era. We feel confident that the economist or the business executive who placed great faith in such a situation a half century ago would have been regarded as anything but a safe guide.

It is the New Deal type of reasoning, some of which began to make its appearance in the New Era which preceded the Keynesian philosophers of the 'Thirties, which has labeled such things as these helpful and healthful. This seems to us to be last time in the world to bestow a blessing upon a course of events which admittedly would definitely tend, if not inevitably result in, virtual destruction of recipients of small fixed incomes. We have now adopted and given our blessings to a system of so-called social security which is destined to supply small incomes to millions, if not tens of millions of men and women who must, in view of almost universal retirement practices, in very substantial part subsist upon these and other pensions.

But what justice and what economic health can there be in a situation which permits, not to say encourages, one of the factors of production to exert monopolistic pressure to obtain far more of current output than it produces? There can be no doubt that just this is the effect of current developments. All but the most ardent special pleaders concede that the rise in wages in recent months, to say nothing of recent years, definitely outstrips output per manhour. Nor can there be any doubt that what is termed productivity—i. e. output per manhour—leaves out of account matters of the utmost importance in judging what part of production should go to wage earners. Of course, labor saving machinery costs money, and lots of it. Recent wage increases have pushed these costs higher than ever before. It is these technological advances and the expenditure of capital upon them, not the exertions of the wage earner, which has resulted in whatever gain there has been in recent years in the volume of output of each man each hour he works in the factories, the mills, the farms and the other branches of industry. The man who saves his funds and provides this equipment, and the man whose skill and ingenuity makes it possible—neither of whom is included in the roster of wage earners —are due their full share of the larger output they have made possible.

But it is not only a matter of justice. It is also a matter of sound economics and a solid future for industry and trade. Interest, dividends, rent, and the other sources of income, exclusive of wages and salaries, account for some $104 billion annually—surely a sum too large to be regarded as negligible. Buying power is not increased by a transfer of income to some group of men who with the blessings of government enjoy a monopolistic position which enables them to take what does not rightly belong to them.

The dangers of the current situation are, of course, well understood among the matriculate. This is clearly true of the First National City Bank which in its current monthly letter has this to say: "The question raised by these changing relationships is whether the higher costs resulting from the wage increases can be passed on; whether the end-result of these inflationary pressures is to be the continuing rise in the price level which so many expect, or whether higher wages and costs will only diminish the market for the higher priced labor and goods. . . . The maintenance of full employment depends upon the maintenance of the real buying power of all segments of the population."

We can not too strongly endorse the opinion expressed by this well-known publication when it adds that "the country should understand where the danger lies."

Continued from first page

Are We Experiencing Inflation or Prosperity?

"inflation" is going on and on indefinitely, it is difficult to find a thoughtful man who has ruled out the business cycle, with its periods of prosperity and subsequent adjustments.

It seems to me that much of the rise in prices, and the decline in the purchasing power of the dollar, which we have experienced in recent years, has been a part of the prosperity phase of a business cycle, rather than that type of inflation which we should all fear, wherein too many dollars manufactured by the Government are bidding for a scarcity of goods.

It is true, indeed, that during World War II the Government manufactured dollars, through vast purchases of Government bonds by the Federal Reserve System, thus pumping reserves into the banking and monetary system. It was by this means that the war was financed. And it is true that as we came out of World War II there was a scarcity of many goods. But, rather than conclude that the results of these two conditions will continue *ad infinitum*, let us consider what has happened to the supply of dollars and the supply of goods since the war.

Looks at Supply of Dollars

At the end of 1941, as we entered World War II, the Federal Reserve System owned $2.3 billion of Government securities. At the end of 1945, the figure was $24.3 billion. But, on 6/26/57 these holdings were down to $22.9 billion, after having been $25.9 billion at the end of 1953. Thus, instead of manufacturing dollars in this popular concept, the Government has actually reduced the amount available in recent years by this means. Another important means at the disposal of the Government for "manufacturing" dollars is to reduce the amount of reserves which banks have to hold against their deposits. Since the war these reserve requirements, in percentage of deposits, have been both increased and decreased, and as of now they are approximately two percentage points lower than at the close of World War II, on demand deposits, and one percentage point lower on time deposits.

It can hardly be said that the Government in recent years has manufactured dollars to compete for the goods available.

On the other hand, the people of this country have themselves added in vast amounts to the dollars they have to spend, through borrowing. This is a condition to be expected during the prosperity phase of a business cycle. It results from both a desire to buy goods and a confidence of being able to repay the loans incurred. As reported in the "Federal Reserve Bulletin" for June, 1957: total mortgage debt on all types of real estate increased from $35.5 billion at the end of 1945 to a preliminary figure of $147.2 billion at the end of March, 1957; consumer credit of all types increased from $5.7 billion at the end of 1945 to $41 billion on 4/30/57; commercial loans of all insured commercial banks in the U. S. increased from $9.4 billion on 12/31/45 to $38.6 billion on 12/31/56. This added buying power has indeed helped to bid up prices, as it always does during the prosperity phase of a business cycle. But, rather than induce one to feel that this borrowing spree is going on and on, does it not, in this tremendous volume particularly, more logically give rise to the question of whether or not such vast borrowing can be repaid easily?

Financing all this borrowing and the bank deposits resulting therefrom uses up the reserves of the banking system. In the type of inflation which we all fear, with the Government manufacturing more and more dollars to bid for the supply of goods available, the Government could easily finance more and more of this borrowing orgy, by additional purchases of Government securities by the Federal Reserve System. When the banking system does not have additional reserves to finance additional borrowing and deposits, there is a natural check on this borrowing, and spending. The Federal Reserve Board has made a strong case for its refusal to make additional reserves available, until it sees signs that the prosperity may be slackening.

The important point, for this discussion, is that the Federal Reserve System has not in recent years been adding fuel to the "inflation fire," and if this policy continues, the increase in the supply of dollars resulting from the borrowing of the people themselves will meet the natural check of diminishing reserves in the banking system with which to finance borrowing, high interest rates and tight money.

Supply of Goods Side of the Equation

Now, let's examine the other side of this inflation fear: the supply of goods. The antithesis of this type of inflation is production. Is there anything, other than money itself, that is scarce today, or hard to get? As everybody knows, the productive capacity of this nation has been tremendously expanded since World War II. Expenditures for new plants and equipment are reported as having totaled $211 billion in the eight years 1949-56, with an additional 37.4 billion anticipated in 1957 alone.

Without becoming lost in a maze of statistics, let's take a look at how we are using our present capacity to produce goods, and consider whether the results look like inflation lies ahead indefinitely.

Steel production has declined steadily in recent weeks, to only 84% of capacity in the last week of June, despite the knowledge that steel prices would be raised on July 1. Capacity for steel making in this country is now rated at 133,459,150 tons per year, compared with 128,363,090 tons in 1956. A recent news story stated that "If production can be maintained at an average level of 89% of capacity for the remainder of the year it will result in something like 120 million tons of steel." Does this suggest a shortage of steel, or of the capacity to produce it?

Registration of motor vehicles during 1956 are reported to have reached 65,212,510, a new record. As everyone knows, we are not now able to sell all the cars that we can produce, and dealer inventories of new cars are reported to be about 740,000 as of July 1, 1957. Does this sound like a shortage of cars, or the ability to produce them?

Nor can we sell as many houses as we can build.

Incoming orders for machine tools continued their steady decline of recent months, falling in May 52% below May, 1956, and hitting the lowest level in two and a half years. The total backlog of orders, based on the current rate of shipments, has reportedly dwindled to 4.6 months of work compared with 8.2 months in May, 1956.

Freight carloadings have been below both 1956 and 1955 for many weeks in the first half of 1957.

Soft coal production is now predicted as 508 million tons for 1957, compared with 500 million tons in 1956, and a forecast made in November, 1956, of 532 million tons for 1957. Actual production in the first half of this year is estimated by the National Coal Assn. to have been 249 million tons, compared with 253,899,000 tons in the first half of 1956.

Copper, lead and zinc prices have declined materially in 1957, and as a result of the slackened demand for these commodities, some mines are being taken out of production.

U. S. paper production for the week ended June 22, 1957, was 90.6% of capacity, compared with 93.9% of capacity the preceding week, and 99.6% for the week in 1956. Even newsprint supplies are now reported abundant.

Surplus farm commodities owned by the Government amount to several billion dollars.

The textile industry reportedly hopes that extra plant vacations will reduce inventories, and signal a turn for the better. Production of men's clothing in the first five months of 1957 was reported at 88% of capacity by the Clothing Manufacturers Assn. (85% of capacity for May, 1957).

The petroleum industry is "in a serious state of oversupply," the petroleum department of the Chase Manhattan Bank recently reported.

Furniture makers seem unable to sell all their wares, at least not without lowering prices. Sales for this fall are now predicted as even with 1956, compared with a prediction in January that 1957 would be 3% to 5% higher than 1956.

As working hours have been reduced, the average factory work week declined to 39.7 hours in May, the lowest since September, 1954.

The Federal Reserve index of industrial production, which measures actual output at the nation's factories and mines as a percentage of the actual output in the three year base period of 1947-49, declined to 143% in May, from 144% in April and 146% in January, February and March,

1957. In previous years this index of actual production rose steadily from 112% for 1950 to 134% for 1953, then 139% in 1955 and 143% for all of 1956 (and 147% for the month of December, 1956).

No doubt additional examples could be cited, but you probably already agree that there is now neither a shortage of goods nor of capacity to produce goods. Nor do we feel that there exists in the U. S. that type inflation which we should all fear, wherein more and more dollars are being manufactured to bid for less and less goods. We have indeed had more and more dollars bidding for *more and more goods*, but those dollars have been "created" by the people themselves through their voluntary borrowing, and it is such a combination of conditions that causes the prosperity to bulge in the business cycle.

Reason Wages Have Gone Up

One often hears that wages have gone up, and will continue to go up, and this will contribute further to continued price increases, and a consequent further reduction in the purchasing power of the dollar. One hears also that inflation is fostered by wage increases that exceed the increase in labor productivity. These also occur naturally during the prosperity phase of the business cycle. Labor unions are of course stronger during prosperity, than at other periods of the cycle. Labor is in a far better bargaining position during periods of prosperity and full employment, and it is only logical that in such circumstances employers will go to great lengths to avoid an interruption in the production of goods that are in demand and can be sold readily. And it is only human nature that causes labor to be more inefficient in periods of full employment than in periods of slack employment. Management is also more inefficient when it can sell its products freely, than when competition for the consumer's dollar is keener. And who will deny that we have indeed had full employment these past few years?

The question is not whether we have had full employment these past few years but whether we are to call this condition inflation or prosperity. If you call it inflation, than you must concede that we have vastly inflated our capacity to produce goods, and remember that production is the cure for inflation. And again, it you call this condition inflation, you must concede that it has been blown up by the borrowing of individuals and business concerns to get the dollars to spend, and remember that if the Government does not manufacture dollars to serve as the reserves to support all this borrowing, then there comes a time when the cost of borrowing goes up, money grows ever tighter, and it becomes more and more difficult to borrow—a natural check on the growth of borrowing (but, by no means an assurance that all this borrowing will be repaid as promised when the loans were made).

Further, if you call this inflation, where in all these circumstances is there logical reason to conclude that it will go on and on indefinitely?

And, if you can call what we have had these past few years prosperity, then ask yourself, Have we done away with the business cycle, so that prosperity will henceforth go on and on indefinitely?

Poses Challenging Question

Now here's a challenging question: What really interrupted the inflation, or the prosperity (whichever you choose to call it), of the 1920's? Was it overproduction? Was it too much debt? Was it the rising cost of labor? Was it the rising price of goods? Was it too much speculation, on continued inflation? Was it "technological unemployment" (the modern term is automation)? Whatever the reason, we found that people quit buying at higher and higher prices; in fact, many simply quit buying. What makes people do that?

First Boston Group Offers Utility Bonds

The First Boston Corp. and associates on July 16 offered publicly an issue of $16,000,000 Texas Electric Service Co. 4¾% first mortgage bonds, due July 1, 1987, at a price of 101.608% to yield 4.65%. The group was awarded the bonds at competitive bidding at 100.82% for the indicated coupon.

Net proceeds from the sale of the bonds, together with a $6,000,000 cash contribution to the common stock equity of the company made by its parent, Texas Utilities Co., will be used to provide funds to cover estimated expenditures for the company's construction program for the remainder of 1957 and part of 1958, and for other purposes, such as the repayment of $4,400,000 borrowed from its parent. The company's construction program is expected to cost about $29,000,000 in 1957 and $36,500,000 in 1958.

The bonds are redeemable at the option of the company at regular redemption prices ranging from 107.61% for those redeemed prior to July 1, 1962, to 100% for those redeemed on or after July 1, 1986; and at special redemption prices ranging from 101.61% for those redeemed prior to July 1, 1958 to 100% for those redeemed on or after July 1, 1986.

Texas Electric Service Co. renders electric service in an area in northwest and west Texas having an estimated population in excess of 996,000. As of April 30, 1957, the company was serving 288,248 customers, including customers at retail in 113 cities, towns and rural communities in 41 counties.

For the 12 months ended April 30, 1957, total operating revenues of the company amounted to $58,547,000 and net income to $14,027,000, compared with total operating revenues of $56,471,000 and net income of $13,451,000 for the calendar year 1956. In 1955 total operating revenues were $49,084,000 and net income of $10,910,000.

Wolf Sales Mgr. For Heritage Securities

COLUMBUS, Ohio — The appointment of George J. Wolf as sales manager of Heritage Securities, Inc., has been announced by George S. Hough, Vice-President and general manager. Heritage is the sole distributor for Mutual Income Foundation, an open-end common stock investment trust that is being marketed through the agency force of Nationwide Insurance—the first major insurance company to sanction the sale of mutual funds by its agents.

Until recently Mr. Wolf was Director of personal insurance sales for Nationwide.

Mr. Hough also announced appointment of three division managers who will direct sales and supervise the training of Nationwide agents in the companies' operating territory.

Marvin L. Madeson of Flushing, N. Y., for the Albany, Long Island, Metropolitan New York and New Jersey sales regions; Theodore G. Walker of Westport, Conn., for the New Haven, Providence, Burlington, Buffalo and Syracuse sales regions; Robert E. Schenck of Washington, D. C., for the Baltimore and District of Columbia sales regions.

Two With J. C. Flax Co.

SPRINGFIELD, Mass.—John B. Goyette and Lawrence D. Pouliot are now with J. Clayton Flax & Co., 1562 Main Street.

William Randolph Compton

Former head of Wm. R. Compton & Co., dies at 91 years of age.

William Randolph Compton, 200 East 66th Street, New York, pioneer investment banker, died July 13th at the New York Hospital after a short illness. He was 91 years old.

William R. Compton

Born in Lockport, New York, Mr. Compton moved West as a youth, to engage in banking in Arlington, Kan., and Macon, Mo. In 1906, he transferred his investment banking business to St. Louis, specializing in farm mortgages and municipal bonds.

During World War I, Mr. Compton was in charge of Liberty Bond drives in the St. Louis District, which was often "first over the top" for the nation in meeting its quota of bond sales. Mr. Compton was a member of the original Board of Governors of the Investment Bankers Association of America. He was among the first investment bankers to establish a nationwide chain of offices for the underwriting and distribution of municipal securities, and one of the earliest security dealers to employ advertising to reach the widening market for investments. Executives of many leading investment firms during the past half century served their apprenticeship in the Compton organization.

Form Internat'l Mut. Fds.

BIRMINGHAM, Ala. — International Mutual Funds, Inc. has been formed with offices at 301 Yorkshire Drive to engage in a securities business. Officers are John R. Thacker, President; Thomas A. Craven, Secretary-Treasurer; and Ellis A. Fulmer, Vice-President.

Form Regent Secs.

Regent Securities Corp. has been formed with offices at 44 Wall Street, New York City to engage in a securities business. Officers are David Haber, President, and Solomon A. Hopard, Secretary and Treasurer.

Dr. John M. Walker, Dir.

DAYTON, Ohio — John M. Walker, M.D., Associate Clinical Director, Memorial Hospital, New York, and partner, G. H. Walker & Co., New York, has been elected a Director of The Mead Corporation.

Mgr. of Reynolds Office

SYRACUSE, N. Y. — Effective July 1 Daniel W. Cary was appointed manager of the Syracuse office of Reynolds & Co., 229 Fayette Street. Miss Genevieve M. Neary, formerly branch manager, has been appointed managing director.

J. J. Ryan Co. Formed

J. J. Ryan & Co., Inc. has been formed with offices at 50 Broadway, New York City to engage in a securities business. Samuel J. Nagle is President and Ann P. Snow, Secretary-Treasurer. Miss Snow was formerly with Greenshields & Co., Inc. and Savard & Hart.

A. S. Dresner Opens

Arthur S. Dresner is engaging in a securities business from offices at 2757 Claflin Avenue, Bronx, New York, under the firm name of The Dresner Company.

Steel, Renchard & Ludin IBA Governors

Walter H. Steel, William S. Renchard and Joseph Ludin have been elected to the Board of Governors of the Investment Bankers Association of America.

The new board members were elected to three-year terms and will take office when the association holds its annual convention at Hollywood, Fla., Dec. 1-6.

Mr. Steel, a partner of Drexel & Co., is currently chairman of the New York Group of the Investment Bankers Association

Walter H. Steel

William S. Renchard

Joseph Ludin

of America. Mr. Renchard, who is Executive Vice-President of the Chemical Corn Exchange Bank, is secretary-treasurer of the local group. Mr. Ludin is a Vice-President of Dillon, Read & Co., Inc., and a member of the executive committee of the local IBA group.

The new governors replace three retiring board members of the Association who are: Orlando S. Brewer, partner in Phelps, Fenn & Co.; Harold H. Cook, partner in Spencer Trask & Co.; and Robert W. Fisher, Vice-President of Blyth & Co., Inc.

Securities Salesman's Corner

By JOHN DUTTON

Lesson No. I

For the edification of some of the new members of our profession, and as a reminder to some of the rest of us, I have a little story for you that I think can be put down in your book of things that are true, that can be relied upon, and that will always work for you if you give this one little word a chance. I like to call it "intelligent perseverance." Others who have studied the fine art of persuasion, salesmanship, or what you wish to call it, have named this, "working the law of averages." There is a truism in sales work that if you intelligently apply effort to a sufficiently broad coverage of qualified prospects that you will eventually build a clientele. You can rely upon this and in times when you need some encouragement take a good look at the facts, relax, and give it a trial.

A Day's Work

There are some men who fit into the investment business. They have the temperament, the stamina and the enthusiasm for this strenuous activity, and they make a go of it. There are others who wish to become successful investment securities salesmen and they give it a try and for one reason or another they quit and call it a day. One of the primary essentials in my book for success in this business is a desire on the part of the salesman to develop a sound and prosperous clientele. If you want to do it, and you believe enough in what you are doing, you can build a fine business. But first of all you must have the determination to work consistently and to keep at it, even during times of discouragement which also is normal for the course. Even men who have been in the investment business for many years will tell you that there are times when they too run into "slumps" in production and all the attendant problems that are a part of this endeavor known as security salesmanship.

This story was told to me by a good friend of mine who has hired many salesmen during his career as a salesmanager. Recently he employed a new salesman who had many years of experience in another field. He had become a successful investor in his own right, and he was a conscientious, dedicated man who wished to sell securities to people who were interested in building a sound portfolio of investments.

As is often the case with new men, he had a limited circle of acquaintances and friends that he began to cultivate, but this source of business was inadequate and he had to look elsewhere for possible clients. One day his salesmanager looked through some inactive and small accounts that had been opened by several salesmen who had previously been with the firm. He placed 26 of these cards on this man's desk and suggested that he contact them. All day long he telephoned these former clients of the firm, introduced himself, offered service, and discussed the securities which they had previously bought from the other salesmen. About 4:30 in the afternoon he walked into his salesmanager's office and made his report. He had talked with 25 people, he had made some promising contacts and he had put in a good day's work. His salesmanager complimented him, and told him that he thought he had done his share for the day and he had earned a good evening's rest. In reply, this salesman told him, "I have just one card left. I'll make that call and then I'll go home." About 20 minutes later he returned to the salesmanager's office and with a beaming smile on his face he laid down an order for a sizable block of common stock purchased by Mr. Prospect Number 26. It was a reinvestment order that was just waiting for someone to come along and discuss the situation authoritatively.

Neal Pickett Co. Opens

HOUSTON, Tex.—Neal Pickett & Co., Inc., has been formed with offices in the Texas National Bank Building to engage in a securities business. Officers are Neal Pickett, President, and James Sewall, Secretary-Treasurer.

H. J. Shaw Opens

WATERTOWN, S. Dak.—Harvey J. Shaw is conducting a securities business from offices at 21 Fifth Street, Southeast.

R. W. Simmons Named Governor of N.A.S.D.

CHICAGO, Ill. — Richard W. Simmons, partner, Blunt Ellis & Simmons, has been elected to the board of governors of the National Association of Securities Dealers. He succeeds the late Newton P. Frye, former chairman of the board of Central Republic Co., Chicago.

Richard W. Simmons

Mr. Simmons was a Vice - President and Sales Manager of Lee Higginson Corp. until 1948 when his present firm was formed. He served as a member of local NASD District Committee No. 8 for three years, one as chairman in 1955. He has also served as chairman of the Central States Group of the Investment Bankers Association of America, as an IBA governor, is a past president of both the Bond Traders Club of Chicago and the Bond Club of Chicago.

With First California

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John F. Howland is now with First California Company Incorporated, 300 Montgomery Street, members of the Pacific Coast Stock Exchange.

With Hannaford, Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Raymond P. Hartney has become affiliated with Hannaford & Talbot, 519 California Street. He was formerly with Reynolds & Co. and Fairman & Co.

A. R. Volandri Joins Harris, Upham & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Alfred R. Volandri has become associated with Harris, Upham & Co., 232 Montgomery Street. Mr. Volandri was formerly with Hooker & Fay.

Hooker & Fay Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Frederic H. Manter has become connected with Hooker & Fay, 221 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

Joins Reynolds Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — John R. Hedelund has joined the staff of Reynolds & Co., 425 Montgomery Street. He was previously with Francis I. du Pont & Co.

York Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Grant F. Cotton has been added to the staff of York & Co., 235 Montgomery Street, members of the Pacific Coast Stock Exchange. He was previously with H. L. Jamieson & Co.

With Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert S. Johnson is now connected with Hornblower & Weeks, 134 South La Salle Street. He was previously with Barclay Investment Co.

Joins F. I. Du Pont

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William T. Prichard, Jr. is now connected with Francis I. du Pont & Co., 208 South La Salle Street.

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The State of Trade and Industry

Far West. Rates declined 0.5 point to 80% at Cleveland, 3.5 points to 74% at Cincinnati and 8.5 points to 87.5% at Detroit. Rates were unchanged at Birmingham (92.5%) and at St. Louis (80.5%).

The easing in demand for steel continues to spread to the few forms that have continued in tight supply. Evidence of this is a $7 ton price cut on standard structural shapes and wide flange beams by a premium price producer (The Barium Steel Corp. subsidiary, Phoenix Iron & Steel Co., Phoenixville, Pa.). It was made on the heels of a $5.50 a ton raise by the producers quoting standard prices.

The Phoenix base price on structurals now is $110 a net ton—$3.50 above other eastern producers. The spread had been $16.

Phoenix did not reduce its premium price on plates. This confirms that strong demand for them—particularly the thick sizes—continues. But Phoenix did not raise its plate price. It holds at $116 a ton. Other producers increased the price $5 a ton. This reduces the spread between Phoenix and other eastern producers to $12 a ton. The differential had been $17.

The steel industry continued to revise prices upward in line with the pattern set by U. S. Steel Corp. While the corporation did not like its prices on pig iron, several southern producers upped them $3.50 a gross ton, "Steel" reported. The producers involved did not raise their prices last March when northern producers bumped theirs $2 a ton.

Not all prices are going up. Those on refractories—an important material for the iron and steel industry—are holding steady. (They went up last April.)

Steel consumers' action in response to midyear steel and wage increases is mixed, "Steel" said. Some will pass the increase along in the form of an average price hike of about 7%. (The steel price increase averaged 4%.) Others will absorb part of the increased costs because of competitive conditions. A few will absorb all the increases. Many will await action by competitors.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steelmaking capacity for the entire industry will be an average of 81.9% of capacity for the week beginning July 15, 1957, equivalent to 2,073,000 tons of ingot and steel for castings, as compared with 78.7% of capacity, and 2,015,000 tons (revised) a week ago.

The industry's ingot production rate for the weeks in 1957 is based on annual capacity of 133,495,150 tons as of Jan. 1, 1957.

For the like week a month ago the rate was 85.2% and production 2,181,000 tons. A year ago the actual weekly production was placed at 377,000 tons or 15.3%.

The operating rate is not comparable because capacity is higher than capacity in 1956. The percentage figures for 1957 are based on an annual capacity of 133,495,150 tons as of Jan. 1, 1957.

Car Output at "Nearly Normal" Levels

Production last week bounced back to "nearly normal" levels following the July 4 holiday programs. "Ward's" said, however, that the week's schedule of 112,933 cars and 22,928 trucks suffered somewhat because of the severe rains in the Detroit area. Storms and floods interrupted production at Cadillac, Ford Dearborn, and most Chrysler Corp. plants in the city.

"Ward's" weekly comparison is as follows: passenger car estimate is 112,933 compared with 73,682 (revised) last week, trucks this week summed up to a 22,928 estimate against last week's 14,051 (revised) for U. S. A. while Canada's estimated production was 7,760 against 6,450 (revised) last week, in trucks, Canada's estimate this week totaled 1,446 against 1,423 last week.

"Ward's Automotive Reports" final tabulations of new car sales in the U. S. for both June and the June 21-30 periods have shot to the highest monthly and 10-day levels in 15 months.

In addition, "Ward's" said that daily rate of deliveries by new car dealers the final 10 days in June was the best in 21 months.

Such performances took the industry completely unawares, said the statistical publication, and drew sales for the first half of 1957 to within 2.3% of corresponding 1956 after being behind 5% at the first quarter mark.

June new car sales totaled 544,750 units, best monthly figure since March, 1956 (573,000). Sales of 213,250 new cars June 21-30 provided the highest 10-day count since March 21-31, 1956 (215,-600). Daily rate of deliveries reached 26,656 units June 21-30 for the best pace since Sept. 21-30, 1955 (29,218).

"Ward's" also stated that at the end of June, new car deliveries by dealers in 1957 reached 3,084,650 units compared to 3,155,800 the first six months of 1956. A vigorous 1957 model cleanup could shoot 1957 sales ahead of corresponding 1956 by the end of the third quarter in September, added "Ward's," July 12 report.

Car Loadings Up Nearly 12% Over 1956 But 17.5% Below 1955

The Association of American Railroads announced that loading of revenue freight for the week ended July 6, 1957 totaled 535,334 cars. This was an increase of 57,037 cars or 11.9% above the corresponding week in 1956, but a decrease of 113,658 cars or 17.5% below the corresponding week in 1955.

Loadings in the comparable weeks of 1957 and 1956 were affected by the July 4 holiday and the coal miners' annual vacation.

Loadings in the 1956 week were further reduced due to the nationwide steel strike. The 1955 week was affected by the July 4 holiday and one day of the coal miners' annual vacation.

Loadings in the week ended July 6 were 197,015 cars or 26.9% below the preceding week.

Electric Output Last Week Registered Substantial Rise Above That of Prior Period

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, July 13, 1957, was estimated at 11,964,000,000 kwh., according to the Edison Electric Institute.

The past week's output increased 908,000,000 kwh. above that of the previous week; it rose above the comparable 1956 week 1,086,000,000 kwh. and 1,524,000,000 kwh. over the week ended July 9, 1955.

Business Failures Rise Week Ended July 11

Commercial and industrial failures rebounded to 256 in the week ended July 11 from the holiday low of 190 in the preceding week, reported Dun & Bradstreet, Inc. The toll was slightly higher than the 251 a year ago, and moderately exceeded the 224 of the comparable 1954 week. However, failures were not as numerous as in prewar 1939 when 272 were recorded.

Failures involving liabilities of $5,000 or more climbed to 216 from 158 last week and were somewhat higher than the 202 of this size a year ago. Among small failures, those with liabilities under $5,000, there was an increase to 40 from 32 in the previous week, but the level was below the 49 a year ago. Nineteen businesses failed with liabilities in excess of $100,000 as compared with 17 a week earlier.

All industry and trade groups had heavier tolls, the sharpest rise lifted retail failures to 141 from 102; milder increases brought wholesale failures to 29 from 9, construction to 39 from 31, commercial service to 20 from 14, and manufacturing to 37 from 34. More retail concerns failed than last year, but the toll among wholesalers, commercial service, and construction contractors dipped below the 1956 level; manufacturing failures equalled those of a year ago.

Seven of the nine major geographical regions reported increases during the week. Failures rose most noticeably in the Middle Atlantic States, to 92 from 51, in the Pacific States, to 68 from 43, and in the West South Central States to 18 from 9; while mild increases prevailed in the New England, West North Central, East South Central, and Mountain regions, declines occurred in the East North Central and South Atlantic States. In seven of the nine regions tolls exceeded those of a year ago; only the East North Central and South Atlantic States had fewer failures than last year.

June Failures Down for June and 10% Below May

Business failures declined in June in six of the country's nine major geographic regions and in all operating functions except commercial service. At 1,084, casualties were 10% below May, and for the first time in 18 months dipped below the comparable level of the previous year. However, casualties continued to occur at a rate of 50 per 10,000 enterprises listed in the Dun & Bradstreet Reference Book, slightly above a year ago, although considerably short of the pre-war rate of 64 in 1940.

Tolls fell to the lowest level so far this year in the Middle Atlantic, East North Central and West North Central States; Pennsylvania and Minnesota reported particularly sharp declines. In contrast, more businesses failed in June in the New England, Pacific, and East South Central States.

Casualties of all liability sizes were less numerous than in May, but the over-all drop in dollar volume to $51,451,000 was a slight 2%. Current liabilities bulked 20% larger than in June last year; this increase was attributed mainly to a marked rise among failures of $100,000 or more.

Fewer manufacturers and retailers failed than in any other month this year, and construction casualties were at a 10-month low. In manufacturing declines in the machinery and textiles and apparel industries were partially offset by rising casualties in iron and steel. The year-to-year picture for the five functions was somewhat less favorable, with only manufacturing and wholesaling failures showing declines; failures in other functions equalled or exceeded the comparable 1956 levels.

June Building Permit Values Continue Slightly Below Year Ago

The valuation of building permits issued in 217 cities during June again fell slightly below the corresponding 1956 month, reports Dun & Bradstreet, Inc. The aggregate for last month was $543,893,626, a decline of 2.7% from $558,856,212 for June a year ago, comparison with the May figure of $560,278,567, revealed a drop of 2.9%. Among the geographical regions, only the South Atlantic and the South Central reported increases in permit value totals over June last year.

New York City building permits for June were up 9.6% to $55,200,493, from the $50,349,355 for June last year, but were down 13.3% below the $63,632,718 for May.

Building permits recorded in the 216 outside centers in June has a total value of $488,693,133. This contrasted with $508,506,857 a year ago, for a loss of 3.9%, and with $496,645,849 in May, for decrease of 1.6%.

Wholesale Food Price Index at New Yearly High

The Wholesale Food Price Index, compiled by Dun & Bradstreet, rose to $6.27 on July 9, another new high for the year. It was slightly above the $6.23 of the preceding week, the previous 1957 high, and exceeded the $6.06 of a year ago by 3.5%.

Higher in wholesale price this week were wheat, rye, oats, hams, bellies, lard, cottonseed oil, beans, eggs, raisins, beef, steers, hogs, and lambs. Lower were flour, corn sugar, coffee, cocoa, and potatoes.

The Dun & Bradstreet Wholesale Food Price Index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Climbs Moderately

Price increases on livestock, flour, sugar, and pig iron helped boost the Dun & Bradstreet Daily Wholesale Commodity Price Index for the past week. At 293.48 on July 15, it was moderately above the 292.11 a week earlier, and noticeably exceeded the 286.78 of the comparable date a year ago.

Most grain prices rose slightly during the week. There was a considerable increase in soybean trading, and supplies were reduced. Although transactions in soybeans on the Chicago Board of Trade expanded sharply over those of the preceding week,

they remained somewhat below those of last year. A noticeable rise in soybean prices occurred.

Wheat receipts expanded, and purchases climbed moderately over those of both the preceding week and a year ago. There was a slight rise in prices. The buying of rye increased sharply boosting prices above those of a week earlier. Trading in oats was below that of the comparable week last year. Average daily purchases of grain and soybean futures were about 25,500,000 bushels in Chicago, compared with 15,000,000 bushels in the prior week and 22,000,000 bushels in the similar 1956 week.

Flour prices rose substantially, as buyers stepped up their orders. However, export demand lagged. Mills anticipate a rise in transactions in hard winter bakery flour in the near future. Flour receipts at New York railroad terminals amounted to 84,152 sacks, with 59,772 sacks for export and 24,380 sacks for domestic use.

Although bookings in rice mounted this week, prices held close to those of the previous week. Exporters continued to step up their orders, and wholesale stocks dwindled. A slight rise in sugar buying lifted prices somewhat this week.

Cocoa futures prices sagged at the end of the week, and prices dipped slightly. Warehouse stocks in New York rose somewhat to 302,183 bags, compared with 420,843 bags a year ago. Cocoa arrivals at United States ports totaled 2,195,653 bags for the season to date, compared with 2,650,103 bags in the comparable period last year. Coffee trading continued at the level of the prior week, and prices declined fractionally.

Hog prices in Chicago rose this week to the highest level since June 1955, as trading expanded appreciably. Hog receipts were the smallest since April. A moderate rise in steer prices was reported, and receipts were close to those of a week earlier. Following a moderate advance at the beginning of the week, lamb prices declined somewhat at the end of the period. A noticeable rise in lard futures prices was attributed to the price increases on hogs and vegetable oils.

Reports that the Government will consider new price support legislation stimulated cotton trading at the end of the week, and prices advanced moderately. United States exports of cotton in the week ended last Tuesday were estimated at 73,000 bales by the New York Cotton Exchange. This compared with 79,000 bales a week earlier and 59,000 bales in the corresponding 1956 week. Exports for the season through July 9 were estimated at 7,353,000 bales as against 2,143,000 bales in the similar period last year.

Dun & Bradstreet's Trade Review of the Week

SPORTSWEAR UP—Numerous post-Fourth of July clearance sales promotions stimulated consumer interest in both men's and women's Summer sportswear this week, and volume moderately exceeded that of a year ago. In some regions there was a slight rise in purchases of women's Fall apparel; the call for cotton dresses and bathing suits was sustained at a high level. Men's summer suits, sports jackets, and slacks continued to sell well. While purchases of furniture and draperies were close to those of the similar 1956 week, sales of major appliances and air conditioners showed slight year-to-year declines. Interest in linens and floor coverings lagged, but there was a slight rise in the buying of barbecue goods and garden supplies. Grocers reported a moderate increase in consumer buying of cold cuts, fresh produce, and baked goods.

REGIONAL ESTIMATES—The total dollar volume of retail trade in the week ended this Wednesday was unchanged to 4% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: New England +6 to +10; Middle Atlantic +1 to +5; East North Central, West North Central, and West South Central —1 to +3; South Atlantic and Pacific Coast 0 to +4; East South Central +5 to +9; Mountain —4 to 0.

AUTO SALES RISE—Automobile dealers reported a slight improvement in sales of new and used passenger cars this week, and volume was somewhat higher than a year ago. Although purchases of new cars in June equalled those of the similar 1956 month, total volume for the first six months of this year lagged about 3% behind that of the first half of 1956.

FURNITURE ORDERS UP—Attracted by showings in New York and Dallas, furniture buyers stepped up their orders for bedroom suites, dining room sets, and case goods; bookings moderately exceeded those of a year ago. In other markets there was a moderate rise in the buying of carpets, draperies, and linens. Wholesale orders for women's apparel slackened this week, as many markets were closed for the Independence Day Holiday. However, volume in Fall dresses, blouses, and coats showed marked year-to-year gains. Re-orders for Summer sportswear and dresses were sustained at a high level, and wholesale stocks were limited. While a slight rise in transactions in cotton yarns occurred, purchases of cotton gray goods lagged again this week.

MAY WHOLESALE VOLUME EXPANDS—Total wholesale volume in May rose to $10.7 billion from $10.4 billion in April, according to the Office of Business Economics. This was fractionally above the May 1956 level. The rise was attributed to increased volume of automobile supplies, lumber, building materials, and jewelry offsetting declines in electrical goods and home furnishings. Wholesale inventories fell below those of April, but slightly exceeded the comparable 1956 levels.

HOLIDAY REDUCES AUTO OUTPUT—Numerous plant shutdowns for the Independence Day holiday last week reduced automotive output to the lowest level so far this year. Production of cars and trucks declined 41%, but was 11% higher than the comparable week last year. Total output of trucks from Jan. 1 to July 6 of this year was 3% less than that of the similar 1956 period.

STEEL OUPUT SLATED TO RISE—Increased production schedules in Pittsburgh, Chicago, and Youngstown is expected to boost total steel output by about 2% this week; the nationwide rate of capacity was set at 80.4%. There was a slight rise in new orders for steel from appliance makers, automobile producers, farm implement manufacturers, and the construction industry. Shipments of finished steel in May were almost 6% below those of April, and 9% less than a year ago. Zinc stocks rose noticeably in June reaching the highest level since November 1954; June shipments fell moderately.

Retail trade volume in New York City last week advanced 8% to 10% above the corresponding period a year ago, store executives reported.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended July 6, 1957, increased 8% above that of the like period of last year. In the preceding week, June 29, 1957, an increase of 3% was reported. For the four weeks ending July 6, 1957, an increase of 5% was registered. For the period of Jan. 1, 1957 to July 6, 1957, the index recorded a rise of 4% above that of the corresponding period of 1956.

Weather was cooler than corresponding week, last year. Because of moderate temperatures air conditioners and window fans dropped. According to the New York Times, sales of soft goods in most stores continued to outdistance hard goods, although apparel sales were only moderate; better ready-to-wear and higher priced sportswear did best, however, while home furnishings and appliances were behind last year's levels.

Bank Clearings 4.8% Down for Week Ended July 13

Bank clearings this week show a decrease compared with a year ago. Preliminary figures compiled by us, based upon telegraphic advices from the chief cities of the country, indicate that for the week ended Saturday, July 13, clearings from all cities of the United States from which it is possible to obtain weekly clearings will be 4.8% below those for the corresponding week last year. Our preliminary totals stand at $20,774,884,225 against $21,818,624,559 for the same week in 1956. At this center there is a loss for the week ended Friday of 5.3%.

A comparative detailed statement of clearings for all the Federal Reserve districts for various periods is given weekly in the Monday edition of the "Chronicle" under the caption of "The Course of Bank Clearings."

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Tapping a Growth Potential To Assure Business Progress

it might have by not tapping the energies and skills and ambitions of a far higher percentage of its employees. Even with such limited coverage, the actual proportion of rated hours applied to incentive work often ranges only between 80% and 90%. So that in terms of available total man-hours, the incentive applies to possibly as little as 25% and not often more than 45% or 50% of total man-hours of all plant labor.

With a full-coverage incentive plan, you can tap the energies and ambitions of people for from twice to four times as many man-hours as before. If you have no individual incentive plan you can stimulate a full 100% of your plant employees to understand, to cooperate and to work in team-work with you toward your business objectives.

Suggests Another Dimension

But there is yet another dimension to the "incentive potential." Presently, most plans operate only in the area of increased physical-unit output per man-hour. You can add another dimension with such plans as the Rucker Plan, an incentive to help conserve and to save raw materials, supplies, powers, and the like. One can add an equal incentive to every worker to help your reduce scrap, breakage, rejects and rework, an equal incentive to improve quality and to lower the costly drag on income of customer returns and allowances. By doing this one adds a new dimension to the "incentive potential," and enlarge the opportunity for employees and the firm from 25% to 40% or more above that offered by individual incentive plans.

Expanding the "incentive area" into this new dimension, and at the same time, increasing the proportion of employee man-hours covered by twice to four times, serves to enlarge the company's "incentive potential" by not less than one-half and upwards of four times as much as heretofore.

When that is done, labor-shortages and shortages of capital for expansion are in a fair way to be overcome and licked. And, this with a decided and measurable improvement in the company's share of Production Value as well as in that of the employees.

Indicate Managerial Concern

In the doing of this, you will be simultaneously accomplishing something from which industry may attain even greater gains. My friend, Dilman Smith, Vice-President of the Opinion Research Corporation, tells me that in all surveys of employee attitudes toward management, one conclusion repeatedly, time and again, shows up in business after business. It is this:

Far too high a percentage of employees do not believe that management cares about them; they do not believe that management will share the gains with them. You can easily appreciate what this kind of opinion can do to short-circuit your plans for improving productivity. You can easily see that with no incentive plan, or with a limited coverage plan, the employees have reason for the belief that a company doesn't care and won't share.

I have been told by executives here and abroad that nothing so well corrects and changes this viewpoint as a full-coverage and expanded-incentive opportunities plan. It is a demonstration, hourly, daily and continuously of the management's policy—**Your Company Cares, and Your Company Shares.**

Given that belief on the part of a majority of employees, no one yet knows the limits of what company can accomplish with its present work force and equipment. As you shall later see, yearly performance ranges from plant-wide gains of 10 to 30 or more percent above the best previous records. These figures, please note, are plant-wide gains; limited-coverage incentives would have to achieve productivity improvements of twice to three or more times these increases to achieve **a comparable plant-wide result.**

An Untapped Source

This is simply by way of demonstrating what I mean by expanding the company's "incentive potential." Here, to my mind, lies a rich and untapped power for extending employee cooperation to executives. Here lies a means of enlarging output and income greater than the national growth average, despite the obstacles of a capital and labor shortage.

If we are to realize on the bright prospects of our future growth and personal advancement, we can soundly plan on doing it largely with improved productivity, and only secondarily with increased man-power.

As nearly as I can measure it, productivity must account for three times as much of the gain as added man-power. And employee productivity is largely a matter of ideas, of imagination and of executive leadership with vision. It is a matter of **morale** more than **materiel.** Napoleon is often quoted as saying that **morale** in an army is as three to one compared to **materiel!**

What he said applies with equal force to industrial accomplishment, and in the same ratio, three to one.

Conclusion

In conclusion, I think you may want me to repeat these growth prospects of manufacturing industry; they are broad measures of what your business should be expected to do and of your own personal progress aid growth of income:

For an average, and neglecting here the differences in individual industry growth rates, total manufacturing output in physical volume will probably double within 16 to 17 years; the average individual firm's output in 18 to 20 years. In terms of dollars of Production Value, with the price factor included, the average firm should double its income in 11 to 12 years.

The increase in available employee man-hours will probably account only for one-fifth to one-tenth of this output growth; consequently, the improvement in productivity per man-hour must be higher than heretofore if we are to reach these goals of growth and expansion. We shall want a productivity rate that will account for three-fourths of our expansion. To assure it we shall want a new understanding and teamwork, one which I believe must rest upon a high potential incentive and the resulting conviction of all employees that "YOUR COMPANY CARES — YOUR COMPANY SHARES."

SOURCES: The growth rates used in the foregoing are taken from "Progress in Productivity and Pay, All Manufacturing Combined" (1952) and "Wages, Prices and Productivity in Manufacturing," (1956), published by the The Eddy-Rucker-Nickels Company, Cambridge 38, Mass.

With Thill Securities Corp.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Alfred A. Nero is now with Thill Securities Corp., 704 North Broadway. He was previously with J. P. Lewis & Co.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

All America Expansion Corp., Pasadena, Calif.
May 3 filed 184,000 shares of common stock, of which 92,000 shares are to be offered to public and 92,000 shares issued to promoters. **Price**—To public, $1 per share; no proceeds from sale to promoters. **Proceeds**—For general corporate purposes. **Business**—Purchase and resale of oil fruits grown in Brazil and other countries. **Underwriter**—None. LeRoy R. Haynes, of Pasadena, Calif., is President.

★ Allied Paper Corp., Chicago, Ill.
July 15 filed 21,000 shares of common stock (par $8) to be offered in exchange for outstanding common stock of Allied-Albany Paper Corp. on the basis of 5/22nd of a share of Allied stock for each share of Allied-Albany stock.

Alsco, Inc., Akron, Ohio
June 28 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For expansion, repayment of loans and for working capital. **Underwriter**—To be named by amendment.

Altamil Corp., El Segundo, Calif.
June 24 filed 250,000 shares of common stock (par 50 cents). **Price**—$5.50 per share. **Proceeds**—For working capital and other corporate purposes. **Underwriter**—Van Alstyne, Noel & Co., New York. **Offering**—Expected today (July 18).

American Income Fund, Inc., New York
May 24 filed 500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None. Burton H. Jackson is President. **Investment Adviser** — Securities Cycle Research Corp., New York.

American Provident Investors Corp.
Feb. 15 filed 50,000,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—Dallas, Tex. **Underwriter**—Peoples Securities Co., J. D. Grey, of New Orleans, John S. Tanner, of Dallas, and C. L. Edmonds, of Houston, three of the 22 directors, are Chairman, Vice-Chairman and President, respectively.

★ American Trailer Co., Washington, D. C.
July 11 (letter of notification) $120,000 of 10-year 6% first mortgage bonds (in denominations of $1,000 each), 120 warrants for common stock and 1,500 shares of common stock (no par). Each $1,000 bond has detachable warrants for 10 common shares at $15 per share exercisable at any time through June 30, 1959. **Price**—Of bonds, at par. **Proceeds** — For construction and improvements, payment of debts and working capital. **Office**—5020 Wisconsin Ave., Washington, D. C. **Underwriter**—Mackall & Coe, Washington, D. C.

★ A. S. C. Lodge, Inc.
July 2 (letter of notification) $50,000 of non-interest bearing promissory notes due July 15, 1977. **Price**—At par (in denominations of $100 each). **Proceeds**—For construction of a lodge. **Office**—178 Main St., Burlington, Vt. **Underwriter**—None.

Bankers Fire & Marine Insurance Co.
April 25 (letter of notification) 19,854 shares of common stock (par $5) to be offered to stockholders of record May 30, 1957 on a basis of two new shares for each 11 shares held; rights to expire July 30, 1957. **Price**—$11 per share. **Proceeds** — To increase capital and surplus accounts. **Office** — 312 N. 23rd St., Birmingham 3, Ala. **Underwriter**—None.

Bonanza Oil & Mine Corp., Sutherlin, Ore.
Feb. 11 (letter of notification) 71,710 shares of common stock (par 10 cents). **Price** — 75 cents per share. **Proceeds**—To go to selling stockholder. **Underwriter**—L. D. Friedman & Co., Inc., New York, N. Y.

• British Industries Corp. (7/23)
June 28 (letter of notification) not exceeding 20,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. (Expected at about $15 per share.) **Proceeds**—To selling stockholders. **Office**—80 Shore Road, Port Washington, L. I., N. Y. **Underwriter**—Kidder, Peabody & Co., New York.

C & D Batteries, Inc.
March 28 (letter of notification) 14,000 shares of common stock (par $10) to be offered for subscription by stockholders and employees. **Price**—$12.50 per share. **Proceeds** — For machinery, equipment, inventories and working capital. **Office** — Washington and Cherry Sts., Conshohocken, Pa. **Underwriter**—None.

Calidyne Corp., Winchester, Mass.
May 1 filed $1,250,000 of Limited Partnership Interests to be offered first to present limited partners at the rate of one $1,000 unit for each $1,000 of his present investment; then to public. **Price**—$1,000 per unit. **Proceeds** — To construct plant; to purchase machinery and equipment; and to reduce outstanding demand notes. **Business**—Produces electro-dynamic shaker and other vibration test equipment. **Underwriter**—None. Robert C. Lewis, Philip C. Efromson and Thomas Gouzoula, all of Winchester, Mass., are the general partners of this Massachusetts Limited Partnership.

• Cameron Industries, Inc., New York (8/2)
June 7 filed 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development program. **Underwriter**—R. G. Worth & Co., Inc., New York.

• Carolina Mines, Inc., Kings Mountain, N. C.
March 29 filed 679,469 shares of common stock, of which 283,676 shares are to be offered for subscription by stockholders at the rate of five additional shares for each four shares held; and the remainder will be offered to the public. **Price**—At par ($1 per share). **Proceeds**—To repay loans, for exploration and development work, construction and working capital. **Underwriter** — None. A. S. MacCulloch of Vancouver, B. C., Canada, is President and principal stockholder. Statement to be withdrawn.

Carter Products, Inc. (7/24)
July 1 filed 500,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To certain stockholders. **Underwriters** — Eastman Dillon, Union Securities & Co., New York.

★ Central Telephone Co., Lincoln, Neb. (8/15)
July 15 filed $1,750,000 of convertible subordinated debentures due July 1, 1972. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to purchase properties and to make advances to and investments in stocks of subsidiaries. **Underwriter**—Paine, Webber, Jackson & Curtis, New York.

★ Charter Oil Co. Ltd. (Canada) (8/1)
July 11 filed $2,250,000 of 15-year subordinated convertible debentures due Aug. 1, 1972. **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans, for exploration and development of properties and for general corporate purposes. **Underwriters** — Lehman Brothers and Bear, Stearns & Co., both of New York, to handle sales in the United States; part to be sold in Canada through Canadian underwriters.

• Chess Uranium Corp. (8/20)
May 14 (letter of notification) 600,000 shares of common stock (par $1—Canadian). **Price**—50 cents per share (U. S. funds). **Proceeds**—For exploration costs, etc. **Office**—5616 Park Ave., Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., 160 Broadway, New York.

Coastal Chemical Corp., Yazoo City, Miss.
May 1 filed 150,000 shares of class C common stock to be offered for sale to farmers and other users of fertilizer materials. **Price**—At par ($25 per share). **Proceeds**—To construct and operate facilities for manufacture of anhydrous ammonia. **Underwriter**—Mississippi Chemical Corp., Yazoo City, Miss.

• Colonial Aircraft Corp., Sanford, Me.
July 5 filed 248,132 shares of common stock (par 10¢). **Price**—At market. **Proceeds**—To selling stockholders. **Underwriter**—Glick & Co., Inc., New York.

Comico Corp., Memphis, Tenn. (8/1)
May 2 filed 750,000 shares of common stock. **Price**—$2 per share. **Proceeds**—To construct mill; for payment on mining leases and royalty agreement. **Underwriter**—Southeastern Securities Corp., New York.

Consolidated Fenimore Iron Mines, Ltd.
June 26 (letter of notification) 150,000 shares of common stock (par $7). **Price**—At market (closing price on Toronto Stock Exchange as of June 14, 1957 was $1.82 bid and $1.85 asked, per share). **Proceeds**—For mining expenses. **Office**—c/o Roy Peers, 9 De Casson Rd., Montreal, Canada. **Underwriters**—Thomason, Kernaghan & Co., Ltd., Toronto, Canada, and R. P. Mills & Co., Ltd., Montreal, Canada.

Conticca International Corp., Chicago, Ill.
March 13 filed 558,100 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds** — To discharge current notes payable, including bank loans, and long term debt in the total sum of approximately $1,030,000; for new equipment; and for working capital. **Underwriters** — Allen Shaw & Co., 405 Lexington Ave., New York 17, N. Y.; and Shaw & Co., San Marino, Calif.

Continental Mineral Resources, Inc.
June 11 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—c/o Registrar & Transfer Agent, Nevada Agency & Trust Co., Cheney Bldg., Reno, Nev. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Continental Mines & Metals Corp., Paterson, N. J.
April 24 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development of properties. **Underwriter** — Leward M. Lister & Co., Boston, Mass.

• Cougar Mine Development Corp.
March 15 (letter of notification) 560,000 shares of common stock (par one cent). **Price** — 50 cents per share. **Proceeds** — For diamond drilling on company's lands, prospecting expenses, working capital and other corporate purposes. **Office**—83 Campfield St., Irvington, N. J. **Underwriter**—Roth & Co., Maplewood, N. J. **Offering**—Expected this month (July).

Daybreak Uranium, Inc., Opportunity, Wash.
May 7 filed 631,925 shares of common stock (par 10 cents). **Price** — At market (approximately 53 cents per share). **Proceeds**—To selling stockholders. **Underwriter**—Herrin Co., Seattle, Wash.

★ Diamond Alkali Co., Cleveland, Ohio
July 12 filed 190,000 shares of common stock to be issued upon exercise of options to purchase thrift certificates pursuant to company's 1957 Employee Thrift Plan.

Emerson Electric Manufacturing Co.
June 18 filed $3,390,000 of 5½% convertible subordinated debentures due July 15, 1977, being offered for subscription by common stockholders on the basis of $100 principal amount of debentures for each 20 shares of stock held of record July 9, 1957; rights to expire on July 23. **Price**—100% of principal amount. **Proceeds**—For capital expenditures and working capital. **Underwriters**—Smith, Barney & Co. and Van Alstyne, Noel & Co., both of New York; and Newhard, Cook & Co., St. Louis, Mo.

Federal Insurance Co.
June 7 filed 400,000 shares of capital stock (par $4) being offered in exchange for 100,000 shares of Colonial Life Insurance Co. of America capital stock (par $10) on the basis of four Federal shares for each Colonial Share. Offer will become effective upon acceptance by holders of 90% of Colonial stock, or, at option of Federal, acceptance by not less than 80% of the Colonial shares. Offer will continue to and including July 26, unless extended. **Dealer-Managers** — The First Boston Corp. and Spencer Trask & Co., both of New York. **Exchange Agent** — Fidelity Union Trust Co., Newark, N. J.

• First Mississippi Corp., Jackson, Miss.
April 10 filed 10,000,000 shares of common stock (par $1), of which 2,500,000 shares are to be offered publicly at $4 per share prior to Nov. 30, 1957, each purchaser of one share to receive an option to purchase two additional shares at any time prior to Nov. 30, 1959 at $4.50 per share. The price of the remaining 2,500,000 shares will be $5 each, of which 500,000 shares are to be reserved for exercise of options to be granted to directors, officers and employees. **Proceeds** — For industrial and business development of Mississippi and the South. **Underwriter**—None. Statement effective July 5.

Florida Trust, Pompano Beach, Fla.
March 4 filed 850 certificates of beneficial interest in the Trust. **Price**—$1,000 per certificate. **Proceeds**—To acquire by purchase, lease or otherwise, and to hold, own, subdivide, lease, mortgage, exchange, bargain, sell and convey lands and every character of real property. **Underwriter**—None.

Fluorspar Corp. of America
May 28 (letter of notification) 30,000 shares of common stock (par $1) to be offered for subscription by common stockholders on the basis of one new share for each four shares held. **Price**—$8.50 per share. **Proceeds**—For mining operations. **Office**—433 S. E. 74th Ave., Portland, Ore. **Underwriter**—None.

Frigikar Corp.
June 6 (letter of notification) 9,000 shares of common stock (par 50 cents). **Price** — At market (estimated $5.50 per share). **Proceeds**—To go to Daniel D. Dillingham. **Office**—1602 Cochran St., Dallas, Texas. **Underwriter**—Muir Investment Corp., San Antonio, Texas.

General Aniline & Film Corp., New York
Jan. 14 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. (jointly). **Bids** — Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Automatics Corp., Atlanta, Ga.
May 23 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To establish production facilities for manufacture and assembly of controls; and for other corporate purposes. **Address**—c/o Positronic Corp., 2572 Ridgemore Road, N. W., Atlanta, Ga. **Underwriters**—Armstrong & Co., Atlanta, Ga.

General Credit, Inc., Washington, D. C.
Aug. 17, 1956 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working capital. **Underwriter**—None named. Offering to be made through selected dealers. Application is still pending with SEC.

General Parking, Inc.
June 18 (letter of notification) 240,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To retire outstanding debt; for expansion of subsidiary corporation and for working capital. **Office**—c/o Edwin F. Clements, 5312 Glenwood Ave., Youngstown, Ohio. **Underwriter**—L. L. LaFortune & Co., Las Vegas, Nev.

• General Telephone Corp., New York
May 24 filed 1,480,787 shares of common stock (par $10) and 170,000 shares of 5.28% convertible preferred stock (par $50) being offered in exchange for common and preferred stocks of Peninsular Telephone Co. on the basis of 1.3 shares of General common for each share of Peninsular common, and one-half share of General preferred share for each share of Peninsular $1 preferred, $1.30 preferred and $1.32 preferred. No exchange of preferred stock will be made unless at least 80% of the Peninsular preferred stock is exchanged. Offer will expire on Aug. 14. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

Genie Craft Corp., Washington, D. C.
June 28 (letter of notification) $150,000 of 10-year 6% subordinate convertible debentures. **Price**—At par (in denominations of $100 each). **Proceeds**—To discharge short term obligations and for working capital. **Office**—1022 18th St., N. W., Washington, D. C. **Underwriter** — Whitney & Co., Inc., Washington, D. C.

Georgia Casualty & Surety Co.
May 10 (letter of notification) 10,000 shares of common stock (par $5) to be offered first to stockholders and agents, then to the public. **Price**—$30 per share. **Proceeds** — To expand and finance the company's regular line of business. **Office**—70 Fairlie St., N. W., Atlanta, Ga. **Underwriter**—None. Dan D. Dominey is President.

Getty Oil Co., Wilmington, Del.
June 17 filed 100,000 shares of common stock (par $4) to be offered for sale from time to time on the New York Stock Exchange. Certain private placements may be made. **Price**—Either at the market or at a price not lower than the bid price nor higher than the asking price quoted on the Exchange at time of such offering. **Proceeds**—To J. Paul Getty, President, who is the selling stockholder. **Underwriter**—None.

Gibbs Automatic Moulding Corp.
May 22 filed $1,000,000 of 6% convertible debentures due March 31, 1967. **Price**—At par. **Proceeds**—To increase company's activities and for working capital. **Office**—Henderson, Ky. **Underwriter**—Cook Enterprise, Inc., 111 S. 7th St., Terre Haute, Ind.

★ **Great Natural Gas Corp., Los Angeles, Calif.**
July 15 filed 779,393 shares of common stock (par 50 cents) to be offered for subscription by common stockholders of Great Lakes Oil & Chemical Co. on basis of one-fourth share of Natural Gas stock for each share of Oil & Chemical stock. **Price**—$1.25 per share. **Proceeds**—For exploration costs, improvements, expansion, etc. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo.

★ **Hamilton Funds, Inc., Denver, Colo.**
Juyl 15 filed (by amendment) an additional $100,000,000 of Periodic Investment Certificates; $19,400,000 additional Hamilton Fund Shares, Series H-C7; and $17,600,000 additional Hamilton Fund Shares, Series H-DA. **Price**—At market. **Proceeds**—For investment.

★ **Haydock Fund, Inc., Cincinnati, Ohio**
July 15 filed (by amendment) an additional 10,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment.

Holy Land Import Corp., Houston, Texas
Feb. 27 (letter of notification) 100,000 shares of common stock. **Price**—At par ($3 per share). **Proceeds**—For inventory, working capital, etc. **Underwriter**—Benjamin & Co., Houston, Tex.

Horace Mann Fund, Inc., Springfield, Ill.
June 27 filed 100,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Distributor and Investment Manager**—Horace Mann Investors, Inc., Des Moines, Ia., of which Charles F. Martin is also President. **Office**—216 E. Monroe St., Springfield, Ill.

Ignacio Oil & Gas Co., Denver, Colo.
May 20 filed 650,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For drilling and completion of test wells; for acquisition and exploration of additional properties; and for working capital. **Office**—1749 Pennsylvania St., Denver 3, Colo. **Underwriter**—None. W. Clay Merideth is President.

International Duplex Corp., San Francisco, Calif.
Dec. 21, 1956 filed 500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To equip and establish five super launderettes and for working capital. **Underwriters**—Names to be supplied by amendment.

International Fidelity Insurance Co.
March 28 filed 100,000 shares of common stock (no par) to be offered for subscription by stockholders at the rate of one new share for each seven shares held. **Price**—To be supplied by amendment. **Proceeds**—For working capital, etc. **Underwriter**—Franklin Securities Co., Dallas, Texas.

International Insurance Investments, Inc.
June 10 filed 118,140 shares of common stock (par $1) and warrants to purchase 354,420 additional shares of common stock to be offered in units of one common share and three warrants to buy three common shares. **Price**—$3.75 per unit. Each warrant entitles holder to purchase one common share at $2.75 per share. **Proceeds**—To acquire stock of fire insurance unit and for general corporate purposes. **Office** — Englewood, Colo. **Underwriter**—American Underwriters, Inc., also of Englewood, Colo.

★ **Investors Mutual, Inc., Minneapolis, Minn.**
July 15 filed (by amendment) an additional 15,000,000 shares of capital stock (par 50 cents). **Price**—At market. **Proceeds**—For investment.

Isthmus Steamship & Salvage Co., Miami, Fla.
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To purchase a ship and for working capital. **Underwriter**—Anderson Cook Co., Inc., Palm Beach, Fla.

★ **Managed Funds, Inc., St. Louis, Mo.**
July 15 filed (by amendment) 5,000,000 additional shares of common stock (par one cent). **Price** — At market. **Proceeds**—For investment.

Marion Finance Corp., Ardmore, Pa.
March 28 filed $250,000 of 6% renewable subordinated debentures, due upon demand May 1, 1967, without demand May 1, 1972. **Price**—At par (in units of $100 and $500 each). **Proceeds**—For working capital. **Office**—17 W. Lancaster Ave., Ardmore, Pa. **Underwriters**—Walnut Securities Corp., Philadelphia, Pa.; B. Ray Robbins Co., New York; and Berry & Co., Plainfield, N. J.

Mascot Mines, Inc., Kellogg, Idaho
June 3 (letter of notification) 800,000 shares of common stock. **Price**—At par (17½ cents per share). **Proceeds**—For mining expenses. **Office**—Sidney Bldg., Kellogg, Idaho, Malcolm C. Brown is President. **Underwriter**—Standard Securities Corp., Spokane, Wash., and Kellogg, Idaho.

★ **McKesson & Robbins, Inc., New York**
July 12 filed 100,000 shares of common stock (par $18) to be offered for sale to employees of the company under its "Executive Stock Option Plan."

McLouth Steel Corp. (7/24)
July 3 filed 105,000 shares of cumulative convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—The First Boston Corp., New York.

● **Mercast Corp., New York, N. Y. (7/19)**
June 24 filed 420,778 shares of capital stock (par 10 cents) to be offered for subscription by stockholders of record July 18, 1957 on the basis of two new shares for each three shares held; rights to expire on Aug. 2. **Price**—$4.25 per share. **Proceeds**—For expansion program, to repay outstanding notes to Atlas Corp. and for working capital. **Underwriter**—None.

Merchants Co.
June 10 (letter of notification) $300,000 of 6% convertible subordinate debentures due 1972 to be offered to common and preferred stockholders of record of July 11, 1957. (Debentures are convertible into common stock subsequent to July 31, 1962 and prior to Aug. 1, 1971, in limited amounts and freely thereafter as described). **Price**—At par in units of $125 each. **Proceeds**—For working capital. **Office**—300 East Pine St., Hattiesburg, Miss. **Underwriter**—Lewis & Co., Jackson, Miss.

★ **Military Investor Development Corp.**
July 2 (letter of notification) 57,500 shares of preferred stock (par $5) and 57,500 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price** — $5.10 per unit. **Proceeds** — For working capital. **Office**—Suite 2510, 521 Fifth Avenue, New York, N. Y. **Underwriter**—None.

● **Minneapolis-Honeywell Regulator Co.**
June 24 filed 331,237 shares of common stock (par $1.50) being offered for subscription by common stockholders of record July 16, 1957 at the rate of one share of new for each 20 shares held; rights to expire on Aug. 1, 1957. **Price**—$85 per share. **Proceeds**—For expansion program. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

Mississippi Valley Portland Cement Co.
Dec. 26, 1956 filed 1,600,000 shares of capital stock (no par) of which 708,511 shares are subject to an offer of rescission. **Price**—$3 per share. **Proceeds**—For completion of plant, provide for general creditors and for working capital. **Office**—Jackson, Miss. **Underwriter**—None, offering to be made through company's own agents.

★ **Mon-O-Co Oil Corp., Billings, Mont.**
July 11 filed 22,474 shares of class A common stock and 539,376 shares of class B common stock to be offered in units of one class A share and 24 class B shares, which shall not be separately transferable until May 1, 1960. Of the units, 14,474 are to be issued in exchange for or conversion of working interests in joint lease acreage operations, etc., and 8,000 are to be offered for subscription by existing stockholders, on a pro rata basis. **Price**—$75 per unit. **Proceeds**—For development and exploration costs, etc. **Underwriter**—None.

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NEW ISSUE CALENDAR

July 18 (Thursday)
Chicago, Rock Island & Pacific RR.____Eq. Tr. Ctfs.
(Bids noon CDT) $3,000,000

July 19 (Friday)
Mercast Corp.____Common
(Offering to stockholders—no underwriting) 420,778 shares
Polymer Corp.____Class A Common
(A. G. Edwards & Sons) 70,000 shares
Precision Transformer Corp.____Debentures
(John R. Boland & Co., Inc.) $299,880

July 22 (Monday)
Seminole Oil & Gas Corp.____Common
(Albert & Co., Inc.) $206,250

July 23 (Tuesday)
British Industries Corp.____Common
(Kidder, Peabody & Co.) $300,000
Pacific Gas & Electric Co.____Bonds
(Bids 8:30 a.m. PDT) $60,000,000
Tennessee Gas Transmission Co.____Debentures
(Stone & Webster Securities Corp.; White, Weld & Co.; and Halsey, Stuart & Co. Inc.) $25,000,000

July 24 (Wednesday)
Carter Products, Inc.____Common
(Eastman Dillon, Union Securities & Co.) 500,000 shares
McLouth Steel Corp.____Preferred
(The First Boston Corp.) $10,500,000
Pacific Natural Gas Co.____Notes & Common
(White, Weld & Co. and Wm. P. Harper & Son & Co.) $1,125,000 notes and 79,000 common shares
Pittsburgh & Lake Erie RR.____Equip. Trust Ctfs.
(Bids noon EDT) $2,220,000
Sears Roebuck Acceptance Corp.____Debentures
(Goldman, Sachs & Co.; Halsey, Stuart & Co. Inc.; and Lehman Brothers) $50,000,000
Tung-Sol Electric Inc.____Preferred
(Harriman Ripley & Co. Inc.) $5,000,000

July 25 (Thursday)
Southern Pacific Co.____Equip. Trust Ctfs.
(Bids noon EDT) $6,000,000

July 30 (Tuesday)
National Tea Co.____Debentures
(Hemphill, Noyes & Co.) $12,000,000

July 31 (Wednesday)
Norfolk & Western Ry.____Equipment Trust Ctfs.
(Bids noon EDT) $4,320,000

August 1 (Thursday)
Charter Oil Co., Inc.____Debentures
(Lehman Brothers and Bear, Stearns & Co.) $2,250,000
Comico Corp.____Common
(Southeastern Securities Corp.) $1,500,000

August 2 (Friday)
Cameron Industries, Inc.____Common
(R. G. Worth & Co., Inc.) $300,000

August 5 (Monday)
Sanders Associates, Inc.____Class A Common
(Kidder, Peabody & Co.) 110,000 shares

August 8 (Thursday)
Indianapolis Power & Light Co.____Preferred
(Lehman Brothers; Goldman, Sachs & Co.; and The First Boston Corp.) $6,000,000

August 13 (Tuesday)
Northern States Power Co. (Minn.)____Bonds
(Bids 10 a.m. CDT) $18,000,000
Thompson Products, Inc.____Debentures
(Offering to common stockholders—underwritten by Smith, Barney & Co. and McDonald & Co.) $20,000,000

August 15 (Thursday)
Central Telephone Co.____Debentures
(Paine, Webber, Jackson & Curtis) $1,750,000

August 20 (Tuesday)
Chess Uranium Corp.____Common
(Jean R. Veditz Co., Inc.) $300,000
Pacific Telephone & Telegraph Co.____Debentures
(Bids to be invited) $90,000,000

September 3 (Tuesday)
Cincinnati & Suburban Telephone Co.____Common
(Offering to stockholders—no underwriting)

September 4 (Wednesday)
Louisville Gas & Electric Co.____Bonds
(Bids to be invited) $15,000,000

September 10 (Tuesday)
Duke Power Co.____Bonds
(Bids to be invited) $50,000,000

September 11 (Wednesday)
New Jersey Bell Telephone Co.____Debentures
(Bids to be invited) $30,000,000

September 17 (Tuesday)
Consolidated Natural Gas Co.____Debentures
(Bids 11:30 a.m. EDT) $25,000,000

September 18 (Wednesday)
Norfolk & Western Ry.____Equipment Trust Ctfs.
(Bids noon EDT) $4,260,000

September 24 (Tuesday)
Northern Illinois Gas Co.____Bonds or Preferred
(Bids to be invited) $8,000,000 to $10,000,000
Utah Power & Light Co.____Bonds
(Bids to be invited) $15,000,000
Utah Power & Light Co.____Common
(Bids to be invited) 400,000 shares

October 1 (Tuesday)
Southwestern Bell Telephone Co.____Debentures
(Bids to be invited) $100,000,000

October 3 (Thursday)
Columbia Gas System, Inc.____Debentures
(Bids to be invited) $25,000,000

October 8 (Tuesday)
Commonwealth Edison Co.____Bonds or Preferred
(Bids to be invited) $25,000,000 to $50,000,000

October 15 (Tuesday)
Indiana & Michigan Electric Co.____Bonds
(Bids 11 a.m. EST) $20,000,000

October 16 (Wednesday)
Consumers Power Co.____Debentures
(Offering to common stockholders—bids noon EDT) $35,156,760

October 21 (Monday)
Consumers Power Co.____Bonds
(Bids 11:30 a.m. EDT) $35,000,000

October 22 (Tuesday)
Consolidated Edison Co. of New York, Inc.____Bonds
(Bids 11 a.m. EDT) $50,000,000

October 29 (Tuesday)
American Telephone & Telegraph Co.____Debentures
(Bids to be invited) $250,000,000

November 19 (Tuesday)
Ohio Power Co.____Bonds
(Bids 11 a.m. EST) $28,000,000
Ohio Power Co.____Preferred
(Bids 11 a.m. EST) $7,000,000

December 3 (Tuesday)
Virginia Electric & Power Co.____Bonds
(Bids to be invited) $20,000,000

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Monticello Associates, Inc.
Feb. 18 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For capital expenditures, including construction of motel, roadside restaurant and gas station. **Business**—Has been processing and selling of gravel. **Office**—203 Broadway, Monticello, N. Y. **Underwriter**—Walnut Securities Corp., Philadelphia, Pa.

Mount Wilson Mines, Inc., Telluride, Colo.
June 24 filed 400,000 shares of class A common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For exploration and related purposes, including construction of a mill. **Underwriter** — Investment Service Co., Denver, Colo.

Mountain States Telephone & Telegraph Co.
June 5 filed 584,176 shares of capital stock (par $100) being offered for subscription by stockholders of record June 20, 1957 on the basis of one new share for each five shares held; rights to expire on July 31. **Price** — At par ($100 per share). **Proceeds** — To repay advances from American Telephone & Telegraph Co., the parent, which owns 86.74% of the presently outstanding shares. **Underwriter**—None.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., New York.

Mutual Investment Trust for Profit Sharing-Retirement Plans, Inc., Richmond, Va.
March 19 filed 50,000 shares of capital stock (par $1), to be offered trustees of profit sharing retirement plans. **Price**—At market. **Proceeds**—For investment. **President** —T. Coleman Andrews. **Office** — 5001 West Broad St., Richmond, Va.

Mutual Investors Corp. of New York
May 17 (letter of notification) 295,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire real estate properties and mortgages. **Office**—550 Fifth Ave., New York 36, N. Y. **Underwriter** — Stuart Securities Corp., New York.

★ Mutual Trust, Kansas City, Mo.
July 15 filed (by amendment) an additional 1,000,000 shares of beneficial interest. **Price**—At market. **Proceeds** —For investment.

★ Nash Oil Co.
July 5 (letter of notification) 15,000 shares of common stock (par $10). **Price**—$17 per share. **Proceeds**—For development of oil and gas properties. **Office**—Oil & Gas Bldg., Wichita Falls, Tex. **Underwriter**—None.

Nassau Fund, Princeton, N. J.
May 8 filed 250,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—10 Nassau St., Princeton, N. J. **Investment Advisor** — Harland W. Hoisington, Inc., same address.

National Lithium Corp., New York
Feb. 19 filed 3,120,000 shares of common stock (par one cent). **Price**—$1.25 per share. **Proceeds**—For acquisition of properties; for ore testing program; for assessment work on the Yellowknife properties; and for cost of a concentration plant, mining equipment, etc. **Underwriter**—Gearhart & Otis, Inc., New York. Statement expected to be amended.

National Tea Co., Chicago, Ill.
June 12 filed 48,720 shares of common stock (par $5) being offered in exchange for common stock of Tolerton & Warfield Co. of Sioux City, Iowa, on the basis of 7½ shares of National Tea for each Tolerton share. The offer will expire on July 22, 1957, unless extended.

National Tea Co., Chicago, Ill. (7/30)
June 28 filed $12,000,000 sinking fund debentures due Aug. 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and other indebtedness and for other corporate purposes. **Underwriter**—Hemphill, Noyes & Co., New York.

New Brunswick (Province of)
Dec. 14, 1956, filed $12,000,000 of 25-year sinking fund debentures due Jan. 1, 1982. **Price**—To be supplied by amendment. **Proceeds**—To be advanced to The New Brunswick Electric Power Commission to repay bank loans. **Underwriter**—Halsey, Stuart & Co. Inc., New York and Chicago. **Offering**—Indefinitely postponed.

Northern States Power Co. (Minn.) (8/13)
July 3 filed $18,000,000 of first mortgage bonds due Aug. 1, 1987. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner and Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Riter & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); Equitable Securities Corp.; Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc. **Bids**—Expected to be received up to 10 a.m. (CDT) on Aug. 13.

Oil Ventures, Inc.
May 13 (letter of notification) 2,500,000 shares of common stock. **Price**—At par ($10 cents per share). **Proceeds**—For development of oil and gas properties. **Office** —725 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Mid America Securities, Inc. of Utah, Salt Lake City, Utah.

Oxford County Telephone & Telegraph Co.
April 18 (letter of notification) 6,000 shares of common stock to be offered to present stockholders on the basis of preemptive rights, thereafter to the public. **Price**—At par ($5 per share). **Proceeds** — For converting exchange at Turner from a manual service to a dial automatic exchange. **Office**—Buckfield, Me. **Underwriter**—None.

Pacific Gas & Electric Co. (7/23)
June 28 filed $60,000,000 of first and refunding mortgage bonds, series BB, due June 1, 1989. **Proceeds**—To reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. **Bids**—Expected to be received up to 8:30 a.m. (PDT) on July 23.

● Pacific Natural Gas Co. (7/24-25)
May 28 filed $1,125,000 of 6½% subordinate interim notes due 1963 and 79,000 shares of common stock (par $1), of which the notes and 45,000 shares of stock are to be offered in units of a $25 note and one common share. The remaining 34,000 shares of stock are to be offered by company for subscription by common stock on a 1-for-3 basis to about July 31. **Price**—To be supplied by amendment. **Proceeds**—To repay short-term debt and other current liabilities and for construction program. **Underwriters**—White, Weld & Co., New York; Wm. P. Harper & Son & Co., Seattle, Wash.

Pacific Power & Light Co.
June 4 filed 376,600 shares of common stock (par $6.50) being offered for subscription by common stockholders of record July 10, 1957 on the basis of one new share for each 10 shares held; rights to expire on August 1. **Price**—$28 per share. **Proceeds**—For construction program. **Underwriters**—Lehman Brothers, Eastman Dillon, Union Securities & Co., Bear, Stearns & Co. and Dean Witter & Co. (jointly).

Pancal Oil Corp.
May 13 (letter of notification) 299,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For oil drilling expenses. **Office**—27 William St., New York, N. Y. **Underwriter** — Bush Securities Co., New York, N. Y.

Pepsi-Cola Mokan Bottlers, Inc.
April 11 (letter of notification) 60,000 shares of common stock (par 50 cents). **Price**—$5 per share. **Proceeds**—For general funds of the company. **Office**—207 West 8th St., Coffeyville, Kan. **Underwriter** — G. F. Church & Co., St. Louis, Mo.

Philip Morris, Inc., New York
May 28 filed 385,000 shares of common stock (par $5) being offered in exchange for common stock of Milprint, Inc., Milwaukee, Wis., on a share-for-share basis. The offer, which became effective July 1, will expire on July 19. **Underwriter**—None. Lehman Brothers acted as intermediary in negotiating the transaction.

Plymouth Fund, Inc., Miami, Fla.
Feb. 5 filed 500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Plymouth Bond & Share Corp., Miami, Fla. Joseph A. Rayvis, also of Miami, is President.

● Polymer Corp., Reading, Pa. (7/19)
June 20 filed 70,000 shares of common stock, class A (par $1). **Price**—$19.50 per share. **Proceeds**—To retire bank loans, to purchase equipment, to advance additional working capital to company's wholly-owned English subsidiary, to acquire additional land and construct a new research development laboratory, and for other real estate purchases and working capital. **Underwriter**—A. G. Edwards & Sons, St. Louis, Mo.

Precision Transformer Corp. (7/19)
June 12 (letter of notification) $294,000 of 6% 10-year convertible debentures due June 1, 1967 and 29,400 shares of common stock (par 20 cents) to be offered in units of $500 of debentures and 50 shares of stock at $510 per unit, or $100 of debentures and 10 shares of stock at $102 per unit. **Proceeds** — To repay outstanding indebtedness and for general corporate purposes. **Office**—2218 W. Lake St., Chicago, Ill. **Underwriter**—John R. Boland & Co., Inc., New York.

Public Service Electric & Gas Co.
May 29 filed 250,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering** —Temporarily delayed.

Pyramid Productions, Inc., New York
Sept. 27, 1956, filed 220,000 shares of com. stock (par $1) of which 200,000 shares are to be offered to public and 20,000 shares issued to underwriter. **Price**—$5 per share. **Proceeds**—To retire $125,000 of outstanding 15% debentures as well as a $173,180 debt to Trans-Union Productions, Inc.; and for working capital. **Business**—Television releases. **Underwriter**—E. L. Aaron & Co., New York. **Offering**—Date indefinite.

★ Reed Roller Bit Co., Houston, Texas
July 12 filed $320,000 of interests in company's employees' stock purchase plan, together with 10,000 shares of common stock which may be acquired pursuant to said plan.

Resource Fund, Inc., New York
March 29 filed 100,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None. D. John Heyman of New York is President. **Investment Advisor**—Resource Fund Management Co., Inc., 60 Broadway, New York, N. Y.

St. Louis Insurance Corp., St. Louis, Mo.
March 27 filed 1,250 shares of class C cumulative preferred stock (par $57). **Price**—$97 per share. **Proceeds** —To R. M. Realty Co., who is the selling stockholder **Underwriter** — Yates, Heitner & Woods, St. Louis, Mo. **Offering**—Expected in the near future.

St. Paul Fire & Marine Insurance Co.
June 25 filed 417,000 shares of capital stock (par $6.25) to be offered in exchange for the outstanding capital stock of Western Life Insurance Co., Helena, Mont., at rate of 1.39 shares of St. Paul stock for each share of Western stock. The offer is condiitoned upon acceptance by holders of not less than 240,000 shares (80%) of the outstanding Western stock. **Exchange Agent**—First National Bank & Trust Co., Helena, Mont.

St. Regis Paper Co.
April 1 filed 850,000 shares of common stock (par $5) being offered in exchange for common stock of St. Paul & Tacoma Lumber Co. on the basis of 56⅔ shares of St. Regis stock for each share of Lumber company stock. The offer will be declared effective if 95% of the latter stock is deposited for exchange (and may be declared effective at option of St. Regis, if not less than 80% of the stock is deposited). Statement effective June 21.

★ Sanders Associates, Inc., Nashua, N. H. (8/5-9)
July 12 filed 110,000 shares of class A common stock (par $1) of which 100,000 shares are to be offered publicly and 10,000 shares are to be offered for subscription by employees. **Price** — To be supplied by amendment. **Proceeds**—To reduce bank loans and for working capital and other corporate purposes. **Underwriter** — Kidder, Peabody & Co., New York.

Sareze, Inc., Miami, Fla.
June 27 (letter of notification) 50,000 shares of 30-cent cumulative convertible preferred stock (par $2) and 50,000 shares of common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$5 per unit. **Proceeds**—For working capital. **Office**—2621 Northwest 2nd Ave., Miami, Fla. **Underwriter**—Floyd D. Cerf, Jr. Co., Chicago, Ill.

Sears Roebuck Acceptance Corp. (7/24)
July 9 filed $50,000,000 of debentures due July 15, 1982. **Price**—To be supplied by amendment. **Proceeds**—To purchase customer installment receivables from Sears, Roebuck & Co. **Underwriters**—Goldman, Sachs & Co., Halsey, Stuart & Co. Inc. and Lehman Brothers, all of New York.

● Seminole Oil & Gas Corp., Tulsa, Okla. (7/22)
June 24 (letter of notification) 275,000 shares of common stock (par five cents). **Price**—75 cents per share. **Proceeds** — For development of oil and gas properties. **Underwriter**—Albert & Co., Inc., New York, N. Y.

Sire Plan, Inc., New York
May 14 filed $1,000,000 of nine-month 8% fund notes. **Price**—At par (in denominations of $100 each). **Proceeds** —For working capital and other corporate purposes. **Underwriter**—Sire Plan Portfolios, Inc., New York.

Southeastern Fund, Columbia, S. C.
June 3 filed $2,000,000 of 6½% sinking fund subordinated debentures due June 15, 1972, of which $1,500,000 principal amount are to be offered for subscription by stockholders; the remaining $500,000 principal amount, plus any unsubscribed debentures, to be publicly offered. **Price**—To stockholders, 95% of principal amount; and to public, at 100%. **Proceeds**—For working capital. **Underwriters**—Smith, Clanton & Co., Greensboro, N. C.; Powell & Co., Fayetteville, N. C.; and Frank S. Smith & Co., Inc., Columbia, S. C. **Offering**—Expected this week.

Southern Industrial Corp., Jacksonville, Fla.
June 25 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To be added to the general funds of the company. **Underwriter** — Pierce, Carrison, Wulbern, Inc., Jacksonville, Fla.

Steadman Investment Fund, Inc., East Orange, N. J.
May 10 filed 100,000 shares of common stock (par $1) to be offered in connection with merger into this Fund of Fund of Fortune, Inc., Fortune II, Inc., Fortune III, Inc. and Fortune IV, Inc. **Underwriter** — William Allen Steadman & Co., East Orange, N. J. **Offering**—Expected early in July.

Stratford (John G.) Film Corp.
June 27 (letter of notification) 199,999 shares of common stock (par 25 cents). **Price**—$1.50 per share. **Proceeds**—For production of films, working capital, etc. **Office**—113 West 57th St., New York. **Underwriter** — Joseph Mandell Co., New York.

Strato-Missiles, Inc.
June 7 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To develop Hatfield propulsion system, and other projects; for purchase of additional facilities and for working capital. **Business**—To produce machinery and equipment. **Office**—70 East 45th St., New York, N. Y. **Underwriter**—Kesselman & Co., Inc., New York.

Summers Gyroscope Co.
May 20 filed 250,080 shares of common stock (par $1) being offered for subscription by common stockholders of record May 31, 1957 on the basis of two new shares for each five shares held; rights to expire on July 19. **Price**—$3 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—Santa Monica, Cal. **Underwriter**—Daniel Reeves & Co., Beverly Hills, Cal.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20 filed 40,000 shares of common stock. **Price**—$25 per share. **Proceeds** — For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.

Telestudios, Inc.
June 14 (letter of notification) 180,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds** — To purchase and install two Ampex videotape recorders, for equipment and working capital. **Office**—1481 Broadway, New York City. **Underwriter**—Joseph Mandell Co., New York.

Tennessee Gas Transmission Co. (7/23)
July 5 filed $25,000,000 debentures due Nov. 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—To repay short-term loans. **Underwriters**—Stone & Webster [illegible] & Co. and Halsey, Stuart & Co. Inc., all of New York.

Texam Oil Corp., San Antonio, Texas
May 29 filed 300,000 shares of common stock (par $1), to be offered for subscription by common stockholders of record March 15, 1957 on a basis of two new shares for each share held; rights to expire on July 20. **Price**—To be supplied by amendment. **Proceeds**—To repay indebtedness, for acquisition and exploration of oil and gas leases, for drilling and completion of wells, and for other corporate purposes. **Underwriter**—None.

Texas Glass Manufacturing Corp., Houston, Tex.
May 28 filed 3,000,000 shares of common stock (par $1), of which 2,700,000 shares are to be offered to public at $2 per share. The remaining 300,000 shares are under option to original stockholders at $1 per share. **Proceeds**—For expansion and working capital. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Texas.

Titanic Oil Co.
May 6 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration of oil properties. **Office** — 704 First National Bank Bldg., Denver, Colo. **Underwriter**—Wayne Jewell Co., Denver, Colo.

● **Tracerlab, Inc., Waltham, Mass.**
June 19 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To reduce trade and other current indebtedness of company and its subsidiaries and for general corporate purposes. **Underwriter** — Lee Higginson Corp., Boston and New York. **Offering**—Expected today (July 18).

Tripac Engineering Corp.
Feb. 27 (letter of notification) 100,000 shares of class A common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For working capital; machine tools; equipment and proprietary development. **Office** — 4932 St. Elmo Ave., Bethesda 14, Md. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

● **Tung-Sol Electric Inc. (7/24)**
July 3 filed 100,000 shares of cumulative preferred stock (par $50), convertible prior to Aug. 1, 1967. **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term bank loans and to increase working capital. **Underwriter**—Harriman Ripley & Co. Inc., New York.

Uranium Corp. of America, Portland, Ore.
April 30 filed 1,250,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Western Hemisphere Petroleum Corp.
June 20 filed 400,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—For oil exploration and development in Canada, Cuba, Haiti, Honduras and other countries in the Western Hemisphere, and barite exploration in Columbia. **Office**—Tulsa, Okla. **Underwriters**—Sanders & Co. and Rauscher. Pierce & Co., Inc., both of Dallas, Tex. **Offering**—Expected this week.

Woodland Oil & Gas Co., Inc., New York
May 28 filed 700,000 shares of common stock (par 10 cents), of which 600,000 shares are to be offered for account of company and 100,000 shares for account of a selling stockholder, Ralph J. Ursillo, General Manager of the company. **Price**—$1.50 per share. **Proceeds**—To drill and complete oil wells on the company's Pennsylvania and Kentucky properties and for two "deep tests" on its Pennsylvania property, as well as for working capital. **Underwriter**—Name to be supplied by amendment.

Prospective Offerings

Airborne Instruments Laboratory, Inc.
May 16 it was announced company plans to issue and sell $2,000,000 of 15-year 5¼% unsecured subordinated convertible debentures. American Research & Development Corp., owner of 31,500 shares or 15.8% of Airborne's stock, propose to purchase $320,000 of the new debentures. **Proceeds**—Together with $4,000,000 to be borrowed from institutional investors, for a building and expansion program.

★ **Aircraft, Inc.**
July 9 it was reported company plans to issue and sell up to $12,500,000 common stock, following spin-off by California Eastern Aviation, Inc. of its subsidiaries, Land-Air, Inc. and Air Carrier Service Corp. into Aircraft, Inc., a new company. **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill.

All States Freight, Incorporated, Akron, O.
June 21 it was announced company plans to offer publicly $2,250,000 of 15-year 6% debentures (with common stock warrants). **Proceeds**—Together with funds from private sale of 425,000 shares of common stock at $4 per share to pay part of cost of purchase of an operating carrier truck line. **Underwriter**—Fulton, Reid & Co., Inc., Cleveland, Ohio.

Aluminum Specialty Co.
March 18 it was announced company plans to issue and sell 15,000 shares of $1.20 cumulative convertible preferred stock series A (par $20). **Underwriters**—Emch & Co. and The Marshall Co., both of Milwaukee, Wis.

★ **American Telephone & Telegraph Co. (10/29)**
July 17 it was announced that company plans to issue and sell $250,000,000 of debentures to be dated Nov. 1, 1957 and to mature on Nov. 1, 1983. **Proceeds**—For improvement and expansion of system. **Underwriter**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly). **Bids**—Expected to be opened on Oct. 29.

Atlantic City Electric Co.
April 9, Bayard L. England, President, announced that later this year the company will probably issue about $5,000,000 of convertible debentures. **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., American Securities Corp. and Wood, Struthers & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp. and Drexel & Co. (jointly); Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lee Higginson Corp.; Blyth & Co., Inc.

Byers (A. M.) Co.
May 7 stockholders approved a proposal to authorize a new class of 100,000 shares of cumulative preference stock (par $100) and to increase the authorized outstanding indebtedness to $15,000,000, in connection with its proposed recapitalization plan. There are no specific objectives involved. **Control**—Acquired by General Tire & Rubber Co. in 1956. **Underwriter**—Dillon, Read & Co., Inc., New York, handled previous preferred stock financing, while Kidder, Peabody & Co. underwrote General Tire & Rubber Co. financing.

Carolina Natural Gas Co.
July 2 it was reported company plans to issue and sell $1,600,000 of first mortgage 6% bonds, $800,000 of 6% subordinated sinking fund debentures due 1977 and 112,000 shares of common stock in units of $100 of bonds, $50 of notes and seven common shares. **Price**—$164 per unit. **Proceeds**—For construction program. **Underwriters**—Cruttenden, Podesta & Co., Chicago, Ill.; and Odess, Martin & Herzberg, Inc., Birmingham, Ala. **Offering**—Expected in August, 1957, with registration about the middle of July.

Central Hudson Gas & Electric Corp.
April 22 it was announced company plans to issue and sell this year, probably in the fall, approximately $7,500,000 of sinking fund debentures. **Proceeds**—To finance construction program. **Underwriter**—Probably Kidder, Peabody & Co., New York.

Central Illinois Public Service Co.
April 9 it was reported company plans to issue and sell $10,000,000 of 1st mtge. bonds. **Proceeds**—To reduce bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co.; Blyth & Co., Inc.; Kidder, Peabody & Co.; and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly). **Offering**—Expected late in 1957.

Central Louisiana Electric Co., Inc.
April 8 it was announced company plans to issue and sell late this year $6,000,000 of first mortgage bonds. **Proceeds** — Together with $4,500,000 of 4⅜% 12-year convertible debentures placed privately, to be used to repay bank loans and for construction program. **Underwriters**—Kidder, Peabody & Co. and White, Weld & Co. about the middle of last year arranged the private placement of an issue of $5,000,000 series G first mortgage bonds.

Chesapeake Industries, Inc.
June 3 it was reported company plans early registration of $3,500,000 of 5½% collateral trust sinking fund bonds due 1972 and 350,000 shares of common stock. Each $10 of bonds will carry a warrant to purchase one share of common stock. **Underwriter** — Van Alstyne, Noel & Co., New York.

★ **Chesapeake & Ohio Ry.**
July 15 it was reported company plans to issue and sell in August about $5,000,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chicago, Rock Island & Pacific RR. (7/18)
Bids will be received by the company at Chicago, Ill., up to noon (CDT) on July 18 for the purchase from it of $3,000,000 equipment trust certificates due semi-annually from Feb. 1, 1958 to Aug. 1, 1972, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ **Cincinnati & Suburban Telephone Co. (9/3)**
July 15 it was reported company plans to offer to its stockholders of record Aug. 27, 1957, the privilege of subscribing for additional common stock on a 1-for-10 basis; rights to expire on Oct. 3, 1957. **Underwriter**—None. American Telephone & Telegraph Co. owns approximately 30% of the outstanding common stock.

Cleveland Electric Illuminating Co.
Nov. 12 it was reported company plans to issue and sell $25,000,000 of first mortgage bonds in the Summer of 1957. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Dillon, Read & Co. Inc.; Blair & Co. Inc.. and Baxter, Williams & Co. (jointly); Glore, Forgan & Co.; White, Weld & Co.

Coastal Transmission Corp.
July 1 it was reported the company plans to offer publicly about 191,000 units of securities for about $20,000,000 (each unit expected to consist of a $25 debenture or $35 interim note and five shares of $1 par common stock). **Proceeds**—Together with other funds, for construction program. **Underwriters**—Lehman Brothers and Allen & Co., both of New York.

Columbia Gas System, Inc. (10/3)
June 6, company announced that it plans the issuance and sale of $25,000,000 debentures later in 1957. **Proceeds**—To help finance 1957 construction program, which is expected to cost approximately $84,000,000. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Bids**—Expected to be received on Oct. 3.

Columbus & Southern Ohio Electric Co.
Feb. 21 it was reported that company plans to issue and sell in the Fall $8,000,000 of cumulative preferred stock. **Underwriter**—Dillon, Read & Co. Inc., New York.

Commerce Oil Refining Co.
June 10 it was reported this company plans to raise about $64,000,000 to finance construction on a proposed refinery and for other corporate purposes. The major portion will consist of first mortgage bonds which would be placed privately, and the remainder will include debentures and common stock (attached or in units). **Underwriter**—Lehman Brothers, New York. **Offering**—Expected in August.

Commonwealth Edison Co. (10/8)
June 25 company stated that it plans to offer $25,000,000 to $50,000,000 of new securities (kind not yet determined). **Proceeds** — For construction program. **Underwriter**—(1) For any preferred stock, may be The First Boston Corp. and Glore, Forgan & Co. (jointly). (2) For any bonds, to be determined by competitive bididng. Probably bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. **Bids** — Expected to be received on Oct. 8.

Connecticut Light & Power Co.
Feb. 18, it was reported company plans to sell not less than $20,000,000 of first mortgage bonds, possibly this Fall, depending upon market conditions. **Proceeds**—For construction program. **Underwriter** — Putnam & Co., Hartford, Conn.; Chas. W. Scranton & Co., New Haven, Conn.; and Estabrook & Co., Boston, Mass.

Consolidated Edison Co. of New York, Inc. (10/22)
Charles B. Delafield, Financial Vice-President, on July 9 announced that the company has tentatively decided to issue and sell $50,000,000 of first and refunding mortgage bonds (probably with a 30-year maturity). This may be increased to $60,000,000, depending upon market conditions. **Proceeds**—From this issue and bank loans, to pay part of the cost of the company's 1957 construction program which is expected to total about $146,000,000. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EDT) on Oct. 22.

Consolidated Natural Gas Co. (9/17)
May 9 it was announced company plans to issue and sell $25,000,000 25-year debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson and Curtis (jointly); Morgan, Stanley & Co. and the First Boston Corp. (jointly. **Bids**—Expected to be received up to 11:30 a.m. (EDT) on Sept. 17.

● **Consumer Power Co. (10/21)**
July 9 it was announced company plans to issue and sell $35,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EDT) on Oct. 21.

● **Consumers Power Co. (10/16)**
July 9 it was announced that the company plans, in addition to the bond financing, to offer to its common stockholders the right to subscribe for $35,156,760 convertible debentures maturing not earlier than Sept. 1, 1972, on the basis of $100 of debentures for each 25 shares of stock held. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co (jointly); Morgan Stanley & Co.; The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly); Ladenburg, Thalman & Co. **Bids**—Expected to be received up to noon (EDT) on Oct. 16.

★ **Cook Electric Co.**
July 15 it was reported that company is planning some equity financing. **Underwriter**—Probably Blunt Ellis & Simmons, Chicago, Ill.

● **Detroit Edison Co.**
June 27 company announced Michigan P. U. Commission has authorized issue and sale of $70,000,000 general and refunding mortgage bonds, series P, due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — If determined by competitive bidding, probable bidders may be The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Coffin & Burr, Inc., and Spencer Trask & Co. (jointly). **Offering**—Expected in August.

Duke Power Co. (9/10)
April 22 it was reported company plans to issue and sell $50,000,000 of first refunding mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Stone & Webster Securities Corp. **Bids**—Tentatively scheduled to be received on Sept. 10.

Eastern Gas & Fuel Associates
April 3 it was announced company may need additional capital of between $25,000,000 and $35,000,000 during the next two years. **Underwriter**—For any bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co., and Kidder, Peabody & Co. (jointly).

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Eastern Utilities Associates
April 15 it was announced company proposes to issue and sell $3,750,000 of 25-year collateral trust bonds. **Proceeds** — For advances to Blackstone Valley Gas & Electric Co., a subsidiary. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co.; Stone & Webster Securities Corp. and Estabrook & Co. (jointly).

Employers Group Associates
July 1 it was announced company plans to file a registration statement with the SEC covering the proposed issuance and sale of up to 88,761 additional shares of capital stock to be offered for subscription by stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Morgan Stanley & Co., New York. **Offering**—Expected in late August or early September.

First National City Bank of New York
June 25 this bank offered its stockholders the right to subscribe for 2,000,000 additional shares of capital stock (par $20) on the basis of one new share for each five shares held as of June 24, 1957; rights to expire on July 22. **Price**—$60 per share. **Proceeds**—To increase capital and surplus. **Underwriter** — The First Boston Corp., New York.

● **General Telephone Co. of California**
July 10 it was announced that the company has been granted authority by the California P. U. Commission to issue and sell 500,000 shares of 5% cumulative preferred stock (par $20). **Proceeds** — For construction program. **Underwriters**—Paine, Webber, Jackson & Curtis, Boston, Mass.; and Mitchum, Jones & Templeton, Los Angeles, Calif.

General Tire & Rubber Co.
May 10 it was reported that this company is considering an issue of convertible subordinated debentures, probably around $15,000,000, which may first be offered for subscription by common stockholders. **Proceeds**—For working capital. **Underwriter**—Kidder, Peabody & Co., New York.

Goodman Manufacturing Co., Chicago, Ill.
June 21 it was announced company plans to issue and sell 150,000 shares of capital stock (par $16.66⅔), following approval on Aug. 5 of 3-for-1 split up of present $50 par stock. **Proceeds**—For general corporate purposes.

Gulf Interstate Gas Co.
May 3 it was announced company plans to issue some additional first mortgage bonds, the amount of which has not yet been determined. **Proceeds** — For construction program. **Underwriters**—Carl M. Loeb, Rhoades & Co and Merrill Lynch, Pierce, Fenner & Beane.

Gulf States Utilities Co.
March 4 it was reported company plans to issue and sell $16,000,000 first mortgage bonds in November. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner and Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Stone & Webster Securities Corp.; Lee Higginson Corp.

Gulf States Utilities Co.
April 8 it was reported company tentatively plans to issue and sell some preferred stock this year. **Proceeds** —To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly).

Hanna Steel Co., Birmingham, Ala.
April 8 it was reported company plans to issue and sell 120,000 shares of class A common stock. **Price**—$5 per share. **Underwriters**—Cruttenden, Podesta & Co., Chicago, Ill.; and Odess, Martin & Herzberg, Inc., Birmingham, Ala. **Offering**—Expected in June.

Hathaway (C. F.) Co., Waterville, Me.
June 24 it was announced company plans soon to offer to its common stockholders some additional common stock. **Underwriter**—Probably H. M. Payson & Co., Portland, Me.

Houston Lighting & Power Co.
Feb. 13 it was reported company may offer late this Fall approximately $25,000,000 first mortgage bonds, but exact amount, timing, etc. has not yet been determined. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers, Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Lazard Freres & Co. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co.

Idaho Power Co.
May 16 it was reported company plans to issue and sell around 200,000 to 225,000 shares of common stock in the Fall in addition to between $10,000,000 to $15,000,000 first mortgage bonds after Nov. 1. **Underwriter**—To be determined by competitive bidding. probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Blyth & Co. Inc., Lazard Freres & Co. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. (2) For stock—Kidder, Peabody & Co.; Blyth & Co., Inc., and Lazard Freres & Co. (jointly).

Indiana & Michigan Electric Co. (10/15)
May 20 it was reported company plans to issue and sell $20,000,000 of first mortgage bonds due 1987. **Proceeds** —For reduction of bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; The First Boston Corp.; Eastman Dillon, Union Securities & Co. **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Oct. 15.

● **Indianapolis Power & Light Co. (8/8)**
Nov. 21, 1956 it was announced company plans to issue and sell 60,000 shares of cumulative preferred stock (par $100). **Proceeds** — To repay bank loans and for new construction. **Underwriter**—Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp. **Registration**—Expected today (July 18).

Iowa Southern Utilities Co.
April 2 it was announced company plans to issue and sell $5,000,000 of first mortgage bonds later this year. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; White, Weld & Co.; Lehman Brothers, and Bear, Stearns & Co. (jointly) Equitable Securities Corp. and Salomon Bros. & Hutzler (jointly), The First Boston Corp.; Dean Witter & Co.

Jefferson Lake Sulphur Co.
Dec. 27, 1956, Eugene H. Walte, Jr., announced company plans in the near future to sell an issue of convertible debentures. **Proceeds**—For expansion program.

Long Island Lighting Co.
April 16 it was announced company plans to sell later this year $40,000,000 of first mortgage bonds, series J. **Proceeds**—To refund $12,000,000 of series C bonds due Jan. 1, 1958 and for construction program. **Underwriter** —To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co. Inc. (jointly); W. C. Langley & Co. and Smith, Barney & Co. (jointly).

Louisville Gas & Electric Co. (9/4)
May 14 it was reported company plans to issue and sell $15,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and American Securities Corp. (jointly); Kidder, Peabody & Co. and Goldman, Sachs & Co. (jointly); Harriman Ripley & Co. Inc.; Lehman Brothers and Blyth & Co., Inc (jointly); The First Boston Corp.; Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly). **Bids** —Tentatively scheduled to be received on Sept. 4.

Louisville & Nashville RR.
Bids are expected to be received by the company some time in the Fall for the purchase from it of $14,400,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ **Mahoning National Bank of Youngstown**
July 16 it was announced Bank is offering to its stockholders the right to subscribe for 66,000 additional shares of capital stock (par $10) on the basis of two new shares for each five shares held. **Price**—$24 per share. **Proceeds** —To increase capital and surplus. **Underwriter** — The Ohio Company, Columbus, Ohio.

Mangel Stores Corp.
June 19 it was reported early registration statement is expected of an issue of $3,000,000 of convertible debentures due 1972. **Underwriter**—Lee Higginson Corp., New York.

● **Manufacturers National Bank of Detroit**
July 11 stockholders were given the privilege of subscribing for 156,600 additional shares of capital stock (par $10) on the basis of one new share for each seven shares held as of July 9; rights to expire on July 26. **Price**—$35 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Blyth & Co., Inc.; First of Michigan Corp.; and Watling, Lerchen & Co.

Middle South Utilities, Inc.
May 8 it was announced company may consider an offering of new common stock within the next year or so. **Proceeds**—About $19,000,000, for investment in common stocks of the System operating companies during the three-year period 1957, 1958 and 1959. **Underwriter**—Previous stock offering was to stockholders, without underwriting, with oversubscription privileges.

★ **Molybdenum Corp. of America**
July 16 it was announced company plans to offer its common stockholders the right to subscribe for about 196,851 additional shares of common stock (par $1), plus warrants to purchase an additional 196,581 shares, on the basis of one new common share and one warrant for each seven shares presently held. The holders of record date will be the fifth day following the effective date of registration with the SEC. **Proceeds**—For expansion program. **Office**—Grant Bldg., Pittsburgh, Pa.

Montana Power Co.
May 20 it was reported company may issue and sell in the fall about $20,000,000 of debt securities. **Proceeds**—For construction program and to reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; White, Weld & Co.; Kidder, Peabody & Co.; Smith, Barney & Co., and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly).

New England Electric System
May 23 it was announced SEC has approved the merger of the five following subsidiaries: Essex County Electric Co.; Lowell Electric Light Corp.; Lawrence Electric Co.; Haverhill Electric Co. and Amesbury Electric Light Co., into one company. This would be followed by a $20,000,000 first mortgage bond issue by the resultant company, to be known as Marrimack-Essex Electric Co. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Company; Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co., and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co., and White, Weld & Co. (jointly). **Offering**—Expected in first half of 1957.

New Jersey Bell Telephone Co. (9/11)
May 1 it was announced company plans to issue and sell $30,000,000 of debentures. **Proceeds**—Together with proceeds from sale of 900,000 shares of common stock (par $100) to parent, American Telephone & Telegraph Co., will be used to pay for expansion program. **Underwriter** —To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; Shields & Co.; White, Weld & Co.; The First Boston Corp. **Bids**—Tentatively expected to be received on Sept. 11.

New Jersey Power & Light Co.
Sept. 12, 1956, it was announced company plans to issue and sell $5,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Kuhn, Loeb & Co., Lehman Brothers and Salomon Bros. & Hutzler (jointly); Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane.

Niagara Mohawk Power Corp.
April 22 it was reported company tentatively plans to issue and sell this fall about $40,000,000 of bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly).

● **Norfolk & Western Ry. (7/31)**
Bids are expected to be received by the company up to noon (EDT) on July 31 for the purchase from it of $4,320,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● **Norfolk & Western Ry. (9/18)**
Bids are expected to be received by the company up to noon (EDT) on Sept. 18 for the purchase from it of $4,260,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern Illinois Gas Co. (9/24)
July 1 this company announced that it is planning to raise between $8,000,000 and $10,000,000 early this fall. No decision has been made as to the form of the proposed financing, but no consideration is being given to sale of common stock or securities convertible into common stock. **Proceeds**—For construction program. **Underwriter**—For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc. **Bids**—Expected to be received on Sept. 24.

Ohio Power Co. (11/19)
May 15 it was reported that this company now plans to issue and sell $28,000,000 of first mortgage bonds and 70,000 shares of $100 par value preferred stock. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly). (2) For preferred stock—Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Lehman Brothers. **Bids**—Expected to be received up to 11 a.m. (EST) on Nov. 19.

Pacific Telephone & Telegraph Co.
May 24 it was announced company plans to offer to its stockholders the right to subscribe for 1,822,523 additional shares of common stock on the basis of one new share for each six shares of common stock and/or preferred stock held. **Price**—At par ($100 per share). **Proceeds**—To repay advances from parent. **Underwriter**—None. American Telephone & Telegraph Co. owns 89.6% of the voting stock of Pacific T. & T. Co. **Offering**—Expected some time in August.

Pacific Telephone & Telegraph Co. (8/20)
May 24 it was announced company plans to issue and sell $90,000,000 of new 23-year debentures due 1980. **Proceeds**—To repay advances from parent and for improvements and additions to property. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on Aug. 20. **Registration** —Expected in the latter part of July.

Pennsylvania Electric Co.
Sept. 12, 1956 it was announced company plans to issue and sell $6,000,000 of first mortgage bonds. **Underwriter** —To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane, Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.

Permian Basin Pipe Line Co.
May 20 it was announced company, a subsidiary of Northern Natural Gas Co., may issue about $25,300,000 of new securities, in the following form: $15,000,000 of mortgage bonds, $3,700,000 of preferred stock and $6,600,000 of common stock. **Proceeds**—To repay advances of $9,300,000 from parent, and the remaining $16,000,000

for new construction. **Underwriter** — Glore, Forgan & Co., New York.

Philadelphia Electric Co.
June 28 it was announced company plans issue and sale of additional bonds later this year. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; The First Boston Corp.; Morgan Stanley & Co. and Drexel & Co. (jointly).

• Pittsburgh & Lake Erie RR. (7/24)
Bids will be received by the company in New York up to noon (EDT) on July 24 for the purchase from it of $2,220,000 equipment trust certificates to mature annually on Aug. 15, 1958 to 1972, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Public Service Co. of Indiana, Inc.
Feb. 11 it was announced that it is expected that a new series of first mortgage bonds (about $25,000,000 to $30,000,000) will be issued and sold by the company during the year 1957. **Proceeds**—To repay bank loans (amounting to $25,000,000 at Dec. 31, 1956) and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Glore, Forgan & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly).

Purex Corp., Ltd. (Calif.)
April 30 it was announced that proceeds of at least $1,200,000 are to be received by the company prior to July 1, 1957 from the sale of new capital stock and used for working capital. **Underwriter**—May be Blyth & Co., Inc., San Francisco and New York.

San Diego Gas & Electric Co.
April 23, E. D. Sherwin, President, announced that company will probably raise about $7,500,000 late this fall through the sale of preferred stock. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif.

Siegler Corp.
June 25 it was announced company plans to issue and sell in September or October of this year a maximum of 200,000 additional shares of common stock. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

South Carolina Electric & Gas Co.
Jan. 14 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co. **Bids**—Not expected to be received until next Fall.

Southern Pacific Co. (7/25)
Bids will be received by this company in New York up to noon (EDT) on July 25 for the purchase from it of $6,000,000 equipment trust certificates, series XX, to be dated June 1, 1957 and to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Southern Union Gas Co.
May 16 it was reported company plans to issue and sell about $10,000,000 of debentures this summer. **Proceeds**—For construction program. **Underwriter**—May be Blair & Co. Incorporated, New York.

Southwestern Bell Telephone Co. (10/1)
May 24 directors approved the issuance of $100,000,000 new debentures. **Proceeds** — For expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids** — Tentatively expected to be received on Oct. 1.

• Thompson Products, Inc. (8/13)
July 6 it was announced stockholders will vote Aug. 9 on approving a new issue of $20,000,000 convertible subordinated debentures, which are to be offered for subscription by common stockholders of record about Aug. 13; rights to expire on or about Aug. 29. **Proceeds**—For working capital and general corporate purposes. **Underwriters**—Smith, Barney & Co., New York, and McDonald & Co., Cleveland, O.

Transocean Corp. of California
May 21 it was announced company plans a public offering of securities to provide about $6,700,000 of new working capital.

Utah Power & Light Co. (9/24)
March 12 it was announced company plans to issue and sell about $15,000,000 of first mortgage bonds due 1987. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co. and Stone & Webster Securities Corp (jointly); Kidder, Peabody & Co. **Bids** — Tentatively scheduled to be received on Sept. 24.

Utah Power & Light Co. (9/24)
March 12 it was also announced company plans to offer to the public 400,000 shares of common stock. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lehman Brothers; Blyth & Co., Inc. **Bids**—Tentatively scheduled to be received on Sept. 24.

Valley Gas Co.
April 15 it was announced company, a subsidiary of Blackstone Valley Gas & Electric Co., plans to issue, within one year, $4,000,000 of bonds, $1,100,000 of notes and $900,000 of preferred stock to its parent in exchange for $6,000,000 of notes to be issued in exchange for certain assets of Blackstone. The latter, in turn, proposes to dispose by negotiated sale the first three new securities mentioned in this paragraph.
April 15 it was also announced Blackstone plans to offer to its common stockholders (other than Eastern Utilities Associates its parent) and to common stockholders of the latter the $2,500,000 of common stock of Valley Gas Co., it is to receive as part payment of certain Blackstone properties. **Dealer-Manager**—May be Kidder, Peabody & Co., New York.

Virginia Electric & Power Co. (12/3)
March 8 it was announced company plans to sell $20,000,000 of first mortgage bonds. Probable bidders for bonds may include: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and American Securities Corp. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp.; White, Weld & Co. **Bids**—Expected to be received on Dec. 3.

Wisconsin Public Service Co.
May 29 it was announced company plans to issue and sell about $7,000,000 of first mortgage bonds and about $5,000,000 common stock. **Proceeds** — For construction program and to repay bank loans. **Underwriters** — (1) For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Dean Witter & Co.; Lehman Brothers; White, Weld & Co. (2) For any common stock (first to stockholders on a 1-for-10 basis): The First Boston Corp., Merrill Lynch, Pierce, Fenner & Beane, Robert W. Baird & Co. and William Blair & Co. (jointly). **Registration**—Of bonds in September; and of stock in August.

Wisconsin Southern Gas Co., Inc.
July 8 it was reported company plans to offer up to $300,000 of additional common stock to its stockholders. **Underwriter**—The Milwaukee Co., Milwaukee, Wis.

Continued from page 7

Some Observations on Business And the Tight Money Picture

it is because our demands for capital for business and personal use have recently tended to run far ahead of our accumulated savings.

Liquid reserves in the hands of the American public now amount to $242 billion. Americans saved more dollars last year than in any year since World War II. Today our personal savings in the aggregate are running better than 6% of net disposable income.

On the surface, that seems to be a good record. But the fact is—it's not good enough.

Two years ago, we were saving fewer dollars, but we were saving 8% of net disposable income. I believe, along with many others in our country, that we, as a people, must start saving again at that rate, or at a higher rate, if we are going to maintain economic activity at peak levels and, at the same time, control the inflationary forces which threaten our future.

Real Output

The vital key to the continuing and successful expansion of our economy—and to our higher and higher standards of living — has been our continuing ability to achieve substantial increases in real output and in real wages. This has demanded increasing productivity per manhour of effort, and we have achieved this largely through capital investment in science, research and engineering, in new and better machines, and in new and better ways of using those machines. This has been the great source of strength and progress in our highly technological and capitalistic society. The freedom to invest, to experiment, to take the risks that are involved in progress and development, has been — in many ways—as important a freedom as any other we enjoy.

As a momentary digression, I think one might be interested in some figures developed recently by a distinguished electrical engineer, Dr. Cledo Brunetti. In an article on automation, published last May by the University of Minnesota, Dr. Brunetti said—and I quote:

"Is automation necessary? Consider the example of building a Ford automobile by hand. With no power machinery except hand drills, saws and wrenches, we estimate it would take 5,000 people five years and cost $250 million to produce one car."

How much did you pay for your television set? Here are Dr. Brunetti's hand labor figures:

"Your single television set would require 1,500 people seven and a half years and cost $112½ million, if it were possible at all to produce it by hand labor."

These examples may exaggerate the point, but they are completely valid in supporting it. If this nation ever loses its ability to finance the capital investment that is so necessary to our progress, we will have lost the game and the future. And our ability to finance depends on our ability to build reserves of savings.

Banks Support Savings Drive

The commercial banks of the United States have taken full recognition of this need and are spending more each year in the promotion of the savings function, as well as in the development of plans and services which make it easier for individuals to save regularly and systematically.

Ten years ago, commercial bank advertising appropriations totaled $48 million. In 1957, they will total $102 million—an increase of 112%. More than one-third of these appropriations this year will be used to promote the savings function. At the same time, individual banks and our national banking associations are engaged in intensive market research and public relations programs aimed at studying the banking and savings habits and motivations of Americans, and to develop new and improved techniques of increasing the savings activity within our banking system.

As you know, there are other important forms of saving—the purchase of stocks, bonds, and other forms of investment—the buying of shares in savings and loan associations — paying back what you owe—and so on. And I am sure you have noted that the United States Treasury, the savings and loan associations, credit unions, insurance companies, and investment bankers and brokers all are making intensive efforts to attract savings dollars.

This is a total campaign in which we must succeed, if we are to keep inflation within control, if we are to continue to move to ever higher plateaus of accomplishment for our economy.

I believe we will, barring a total war or some other gigantic catastrophe. I believe we will because most economic signs point in that direction, and because I have faith in our system and its still untapped potential, and because I have faith in our willingness and vigor to continue the fight against any force—economic or political—that would destroy us.

Unfortunately, it is always easier to be completely confident about the long-range future than to be precise about what is going to happen tomorrow. An economist—or a banker who talks like one, however briefly—is somewhat like the sunspot expert in the field of weather predictions. On the basis of his examination of sunspots, he can predict a hot or a cool or a wet or dry summer, but he won't even hazard a guess about the weather tomorrow.

Summary

I have hazarded a few guesses —I hope, educated ones. Despite the soft spots, over-all business activity this year should continue at a satisfactory pace, and any decline should be very moderate. Although there has been a decrease in the rate of demand for bank credit, money will probably continue to be relatively scarce, and bank lending rates will likely remain at existing levels.

Hogan Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

HOLLYWOOD, Calif. — Lillian F. Taylor has been added to the staff of Arthur B. Hogan, Inc., 6705 Sunset Boulevard, members of the Pacific Coast and Midwest Stock Exchanges.

Joins Bennett, Gladstone

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — John G. Finch has become connected with Bennett-Gladstone-Manning Company, 8417 Beverly Boulevard. Mr. Finch was formerly with Jonathan & Co.

G. W. Wagner Opens

ARLINGTON, Va.—George W. Wagner, Jr., is engaging in a securities business from offices at 1465 Twenty-Eighth Street.

R. W. McGinniss Opens

WASHINGTON, D. C. — Robert W. McGinniss is conducting a securities business from offices at 927 Fifteenth Street, N. W.

Miller Opens Office

NEW LENOX, Ill. — Chauncey R. Miller is engaging in a securities business from offices at 132 West Fourth Avenue.

Continued from page 8

Our Reporter's Report

Acceptance Corp. will market $50 million of debentures.

Steel Offering Taken

With a group of 103 firms handling the distribution of the issue, Inland Steel Co.'s $50 million of 30-year, first mortgage, 4⅜% bonds, brought out yesterday at 100 and interest, received a good welcome.

Presumably the recent record of the steel industry in growth and operating results stood the issue in good stead as a favorable backdrop.

Again, the sinking fund provisions which make possible the refunding of $3 million of the bonds annually starting in 1960, with redemption of $1.5 million a year mandatory, probably proved an attraction. The company is the nation's eighth largest producer.

Herculean Task

From here on the underwriting fraternity, along with institutional investors and others, will be increasingly inclined to wait and see what the Treasury plans to do about its impending task of refinancing almost $16 billion of debts maturing next month.

Naturally what the Government does in this direction could have material bearing on the near-term future of the corporate investment market. But some observers seem to feel that the market has done a pretty good job of anticipating these developments.

It's almost a certainty now that the Treasury will not attempt anything in the way of long-term refunding. Rather it appears likely that holders of maturing obligations will be offered a choice of one of several relatively short-term issues.

Ashton Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Kenneth C. Thumme has been added to the staff of Ashton & Co., 15315 West McNichols Road.

B. C. Christopher Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Harold M. Jones is now connected with B. C. Christopher & Co., Board of Trade Building, members of the New York Stock Exchange.

Mutual Funds

By ROBERT R. RICH

Keystone Stk. Fund Increases Holdings In Oil-Drug Field

Keystone Income Common Stock Fund S-2 increased its holdings in oils and drugs in the first half of the fiscal year, according to the semi-annual report just made to stockholders by President S. L. Sholley.

Noteworthy in Keystone's portfolio changes were the addition of Abbott Laboratories, Pfizer and Warner-Lambert Pharmaceutical, giving the fund a 3.6% position in the field. Added to the oil category were 20,000 Atlantic Refining Co. and 20,000 Socony Mobil Oil Co., Inc., bringing Keystone's oil holdings to 13.3% of the portfolio.

Among the major liquidations were 22,500 Hudson Bay Mining and Smelting and 14,000 Koppers. Co.

The Keystone S-2 portfolio as of May 31 consisted of 52 individual issues with the following weightings: Automotive, 9%; Building, 2.7%; Chemicals, 5.6%; Drugs, 3.6%; Finance, 4%; Machinery, 3.8%; Metals, 3.3%; Office and Business Equipment, 4.5%; Oil, 13.3%; Railroads, 8.9%; Railroad Equipment, 3.0%; Steel, 12%; Utilities, 11.1%, and other industrials, 12.6%.

As a result of the recent 4-for-1 split, Keystone S-2 had 60,000 shares of Bethlehem Steel, with relatively the same dollar value as Keystone's position in Republic Steel. Those two issues constituted the largest individual holdings. Among the other large holdings were Sinclair Oil, Phillips Petroleum, Great Northern Ry., Central & South West Corp.; Chesapeake & Ohio, Burroughs, CIT Financial Corp., and Liquid Carbonic.

For the six-month period, total net assets rose 6% to a new high of $66,509,761, thus enabling S-2 to maintain its second-place ranking among Keystone's 10 domestic funds, aggregating more than $330 million. The S-2 Fund also had a record number of shares outstanding, 5,658,415, and a record number of shareholders, 21,749.

Asset value per share rose from $11.33 to $11.75 for the six-months' period. Adjusted for the $1 Special Distribution made last November, the 12-month asset value was $12.75 compared to $12.19 a year earlier.

Investment Changes
Dec. 1, 1956 to May 31, 1957

Additions

14,000	Abbott Laboratories
15,000	American Brake Shoe Co.
20,000	Atlantic Refining Co.
15,000	Dana Corporation
13,000	Pfizer (Chas.) & Co., Inc.
20,000	Socony Mobil Oil Co., Inc.
17,000	Warner-Lambert Pharmaceutical Co.

Eliminations

35,000	American Radiator & Standard Sanitary Corp.
20,000	Arizona Public Service Co.
15,000	Briggs & Stratton Corp.
22,500	Hudson Bay Mining and Smelting Co., Ltd.
17,325	Industrial Acceptance Corp., Ltd.
5,500	Kennecott Copper Corp.
7,100	Kimberly-Clark Corp.
14,000	Koppers Co., Inc.
27,500	Public Service Electric & Gas Co.
32,500	Seaboard Finance Co.

Stein Roe Fund Declares 18c Div.

Directors of The Stein Roe & Farnham Fund Incorporated have declared a dividend of $0.18 per share from ordinary income payable July 25 to stockholders of record July 12.

In conjunction with the dividend announcement, Harry H. Hagey, Jr., President, disclosed the following figures:

	July 12,'57	July 12,'56
Net asset value	$19,715,221	$16,433,367
Shares outstanding	643,669	519,213
Net asset value per share	*$30.63	$31.65

*Capital gain dividend of $1.75 per share paid in December 1956.

Funds' Oil Share Holdings Up 11.4% in Past Year

Common stock investments in the oil industry by the 162 open-end and closed-end investment company members of the National Association of Investment Companies increased from $1,178,924,000 to $1,313,138,000, or 11.4% in the past year, the Association announced.

These holdings of oil common stocks represented approximately 12% of total assets of member companies, the Association stated, when the current study was made in June 1957 from latest available financial reports and in June 1956 when the previous study was made.

Standard of New Jersey Largest

The largest investment company holding at both times was represented by the common stock of Standard Oil of New Jersey. Eighty-three investment companies currently hold its common shares valued at $125,995,000. A year ago, 80 investment companies held shares valued then at $122,577,000.

Common stock of Amerada Petroleum is the second largest current investment company holding, with 43 investment companies owning shares valued at $107,721,000. Amerada also ranked second last year when 29 investment companies held its common stock valued at $89,600,000.

Third largest current holding is the common stock of The Texas Company, $84,912,000 of whose shares are held by 56 investment companies. A year ago, The Texas Company had the same ranking.

Fourth and fifth in order of common stocks of oil companies currently held by investment companies are the stocks of Gulf Oil Corporation and Standard Oil Company of California which, last year, ranked sixth and fourth respectively. Fifth last year was the common stock of Continental Oil Company.

The oil group includes oil producers, refiners and distributors as well as integrated companies. Investment companies now hold stock of 121 such corporations. Last year the figure was 136.

The number of investment company members of the National Association of Investment Companies increased from 152 to 162 during the period.

20 Largest Holdings
(In Order of Size)
June, 1957

Company—	Number of Investment Companies Holding	Dollar Value of Shares Held (000 omitted)
Standard Oil Co. (N. J.)	83	$125,995
Amerada Petroleum	43	107,721
The Texas Company	56	84,912
Gulf Oil Corp.	55	81,921
Standard Oil of California	50	67,328
Shell Oil Co.	43	67,221
Continental Oil Co.	53	64,925
Phillips Petroleum Co.	53	55,232
Socony Mobil Oil Co.	60	51,486
Louisiana Land & Exploration	21	45,955
Superior Oil Co. (Calif.)	13	43,558
Sinclair Oil Corp.	45	43,144
Standard Oil Co. (Indiana)	42	40,629
Cities Service Co.	26	34,861
Ohio Oil Co.	30	29,777
Skelly Oil Co.	27	28,899
Seaboard Oil Co.	18	25,777
Sunray Mid-Continent Oil Co.	23	24,241
Royal Dutch Petroleum Corp.	32	20,244
Signal Oil & Gas Co.	14	16,787

Selected American Reports New Highs In Assets and Shs.

Total net assets of Selected American shares at June 30, 1957, as reported by Edward P. Rubin, President, were $67,430,053, equal to $8.86 a share; in addition a 93-cent capital gain distribution was paid in January 1957. These figures compare with $58,764,720 or $9.77 a share on June 30, 1956. Dividends from investment income totaling 14 cents a share were paid in the first half, the same amount per share paid in the first half of 1956. Outstanding shares at June 30 of 7,609,962 compare with 6,011,801 a year ago.

At June 30 common stocks represented 81.1% of assets, corporate short-term notes 8.9%, corporate bonds 0.2%, U. S. Governments and cash 9.8%. The company had stock investments in 94 companies, the five largest holdings of common stocks, by industry, being oil 18.5%, steel 9.5%, electric utility 8.0%, electrical and electronics 6.6%, railroad 5.5%.

In the second quarter of 1957, newcomers to the stock portfolio were 3,500 shares of American Viscose, 3,700 Bristol-Myers, 7,000 First National City Bank (N. Y.), 2,000 Kaiser Aluminum, 5,000 Kennametal, 3,000 Otis Elevator, 5,000 Reynolds Metals, 500 Rohm & Haas, 14,400 Westinghouse Electric. Increases in prior stock holdings included 1,500 Babcock & Wilcox, 5,600 B & O, 1,500 Cities Service, 1,700 Colorado Interstate Gas, 2,000 General Electric, 1,500 Goodyear, 2,000 Kroger, 4,000 Merck, 5,800 Remington Arms, 5,400 U. S. Steel.

Stocks eliminated from the portfolio were 800 Carrier, 1,300 Crown Zellerbach, 3,000 Grand

Union, 5,200 Phillips Petroleum, 5,000 Standard Oil of Indiana, 4,000 Thompson Products, 800 U. S. Gypsum. Reductions in prior stock holdings included sales of 6,000 Caterpillar Tractor, 5,300 International Harvester, 1,600 Masonite, 2,600 Mead, 15,000 Southern Railway, 7,500 Youngstown Sheet & Tube.

Changes (of over 1%) in industry holdings of common stocks in the second quarter were: Increases—chemical and drug 1.2%, electrical and electronics 1.6%. Decreases—machinery 1.3%.

Share Sales Highest in Fund's 25-Year History

Selected American Shares marked the first half of its 25th year with sales of $6,120,688, the largest for any first half-year in the fund's history, reports Harry L. Sebel, President of Selected Investments Company, national distributor of the shares. This figure compares with gross sales of $5,477,206 in the first half of 1956.

Sales for the 12 months ended June 30, 1957 reached $13,348,292, the highest for any 12-month period.

Cites Spectacular Growth - Outlook For Missile Progm.

The latest issue of "Aviation Investor" published by Distributors Group, Inc. in the interest of Aviation Shares of Group Securities, Inc. discusses the enormous growth of the guided missile program which has increased more than 5,000% in the last seven years. Distributors Group is the sponsor and investment advisor of Group Securities which has 35,500 shareholders and more than $103,000,000 in assets. Its "Aviation Shares" is the only mutual fund specializing in investment in aviation and aeronautical science. "Aviation Investor" states that expenditure for guided missiles may some day exceed all other defense expenses combined and quotes a high level military source in predicting that missile research can eventually provide a virtually impregnable defense against enemy bombers and projectiles.

The publication also lists companies held by "Aviation Shares" which have successfully entered the missile field. These include: Martin, Boeing, North American, Lockheed, Douglas, Sperry-Rand and Convair Division of General Dynamics.

E. F. Hutton Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — John De B. Compton is now affiliated with E. F. Hutton & Company, 623 South Spring Street.

Joins Jensen & Stromer

MARYSVILLE, Calif.—Helen H. Stewart has joined the staff of Jensen & Stromer, 426 East Fifth Street.

Railroad Securities

By GERALD D. McKEEVER

Delaware, Lackawanna & Western RR.

The rather sorry summary of the results of the operations of the Lackawanna for the first half of this year given in the recent statement of President Shoemaker was taken quite in stride by the market for the road's stock which has held fractionally above the 1957 low of 16½ made last February. It is quite likely that those who have been watching the persistently poor traffic trend of this road since the publication of the April income account showing a $379,000 deficit *after charges* for that month, and a corresponding deficit of $84,000 for the first four months of this year, had anticipated much of what was finally learned. For instance, May carloadings of the Lackawanna were down almost 10% from those of May, 1956, and the June 8.8% decline has been scarcely less ominous.

It was stated by the road's President two weeks ago that net income for the first half of this year would be about $200,000 in spite of a $197,711 net loss for the first five months. It was pointed out at the same time, however, that the pick-up which indicates June net at about $400,000 was due mostly to the credit for that month of the $314,360 quarterly dividend income received by the road on its holding of 628,722 shares of Nickel Plate stock. This, nevertheless, indicated June net from operations at some $85,000, and this is modestly encouraging under the circumstances.

Poor results for the first two months of this year which contributed to the cumulative five months' deficit were due in no small part to the dock and harbor strike in New York Harbor in February, but the settlement of this disturbance did not lend any improvement to the road's overall traffic picture. The result has been that the benefits of the freight rate increase of last Dec. 28 have been nullified and negated as far as the net results are concerned as compared with those of the first half of 1956. The road places the annual revenue gain from the last freight rate increase at about $4.1 million, and all that can be concluded is that results would have been much worse without the freight rate increase. The effect of the traffic decline in nullifying the increase in revenues from the freight rate increase is that, in spite of the latter, total revenues for the first four months of this year were down 0.4% from those of the corresponding 1956 period.

One of the besetting problems of the Lackawanna is its passenger service deficit which the road places at about $5 million annually. It was pointed out in the 1956 report, however, that the passenger operating ratio of 122% for the Lackawanna was one of the lowest among the roads which do a large passenger business. It was stated at the same time that all Lackawanna main line through trains earned well over their out-of-pocket costs. While this kind of figuring does not take into account such bookkeeping charges as the allocation to a particular train, its proper share of terminal expense or of costs for use of right of way, and which are comprehended in the "formula" or bookkeeping loss of $5 million annually for all passenger service, it is nevertheless apparent that much of this loss is to be ascribed to commuter service, and especially to that part of which involves unprofitable branch line operation.

Two years ago the Lackawanna applied to the New Jersey Public Utilities Commission for permission to abandon its Boonton Line entirely, stating that this would reduce the passenger loss by $600,000 annually. Permission to do so was refused last year by the Commission and the road thereupon asked for permission to curtail service on this and the Montclair branch to the extent that a $450,000 reduction in the annual passenger service loss could be achieved. While no action has been taken to date on this petition specifically, it has been inferred that permission will not be granted since the Commission on July 9 refused to permit the New York, Susquehanna & Western to make a drastic cut in its commuter service between Jersey City and Butler, N. J., and between Susquehanna Junction and Paterson. The Susquehanna is an incomparably worse case than the Lackawanna.

Some observers look for a good recovery for the Lackawanna in the second half of this year and one estimate, which allows for a further 5% increase in freight rates under the pending *ex Parte* 206 action, places 1957 net income of the road at $1.85 per share of which $1.05 would be available after sinking funds. This in itself could permit the maintenance of dividends at or above the 50-cent rate which is suggested by the 12½ cents per share payment for the second quarter of this year. The latter represents a more sober appraisal of the immediate outlook than the 37½ cents per share payment for the first quarter, which declaration marked the establishment of quarterly payments for Lackawanna stock.

Earnings alone may not be the sole determinant, however. It remains to be seen, for instance, how much of the $5 million emergency capital outlay for the replacement of the upper drawbridge over the Hackensack River can be financed under today's difficult borrowing conditions. Furthermore, the road's working capital, an ample $21.4 million at the 1954 year-end, suffered heavy erosion due mostly to costs arising from the August, 1955, flood damage and had dropped to $4.9 million at the 1956 year-end. Since then there has been the further decline to just under $3.4 million as of April 30 this year.

Like the benefits of freight rate increases, the effect of economies has also been badly blunted by the decline in the road's business volume this year, and this includes particularly the savings from the joint use of the Hoboken passenger facilities with the Erie which "on paper" appears to be worth about $1 million annually to the Lackawanna as well as the Erie. The Lackawanna is nevertheless pursuing economy along other avenues and it is now planned to operate jointly with the Erie some 48 miles of road between Binghamton and Elmira, N. Y. Meanwhile, studies are being continued of the potentials of a merger with the Erie and the Delaware & Hudson.

It appears at this point that worthwhile long-term improvement for the Lackawanna will have to come from some manner of reducing its high costs rather than from any significant growth. This is in spite of a certain amount of achievement on the part of the road in building its industrial traffic. Last year, for instance, 33 new industries were located at various points served by the road, while another credit item is the forward look of the management in buying $1,508,000 first mortgage bonds of the bankrupt Lackawanna & Wyoming Valley which is calculated to provide control of this line when it is reorganized. This 19-mile electric freight line between Scranton and Wilkes-Barre, Pa., gives the Lackawanna access to the latter city.

At the current price, Lackawanna stock sells at the ample multiple of over nine times estimated 1957 per share earnings and yields less than 3% at the projected 50-cent dividend rate. This obviously represents a speculation on the vague possibility of improvement from one source or another. Suffice it to say that there are many rail stocks offering greater evidence of tangible near-term value.

Continued from page 2

The Security I Like Best

bank vault protection in New York, Philadelphia and Pittsburgh. This acquisition was made in April, 1950, at a cost of $4,256,000 financed entirely out of the company's treasury. Subsequently, in July, 1953, the company acquired Western Union's controlling stock of the American District Telegraph Company. A comment regarding this acquisition that appeared in the 1953 Annual Report is of interest: "Grinnell Corporation has been associated with the American District Telegraph Company for over 45 years and their business is about as depression-proof as can be found."

American District Telegraph's activities supplement those of Holmes Electric and a generally similar type of service is offered in a total of 1,924 communities in the United States. ADT subscribers totaled 63,492 at the close of 1956. ADT now holds a strong position in the central electric protective field in Canada through the direct and indirect acquisition of control of three companies in 1956. ADT's investment in these corporations was entirely self-financed and is carried on the books at $1,985,000. Table II shows the long-term growth of ADT since 1940. The capital stock of ADT has received dividends in every year since 1903. (Grinnell now owns 70% of the capital stock of ADT.)

TABLE II

AMERICAN DISTRICT TELEGRAPH CO.

Years Ending Dec. 31	Gross Revenues (—000)	Depreciation (—000)	Net Income (—000)
1956	$39,711	$5,743	$2,995
1952	27,093	2,916	2,403
1948	18,387	2,143	1,556
1944	12,361	*	1,229
1940	9,255	*	1,378

*Not available.

ADT has handled itself well in periods of both deflation and inflation. The business appears to have many of the favorable characteristics of a public utility. Yet it is not subject to rate-making bodies and their numerous controls; it deals primarily with business institutions and not with residential consumers. Furthermore, the major part of growth has been financed out of retained earnings and debt is at nominal proportions.

Earnings reports issued by Grinnell and ADT do not fully reveal the true earning power in the system. Operations of certain important subsidiaries are not consolidated with parent company operations. Only ADT reports its results separately. ADT does not consolidate the results of its recent Canadian acquisitions. The imposing earning power developed by Grinnell is shown in the following table:

Net Earnings Per Share
Capital Stock of Grinnell Corp.
Year Ending Dec. 31, 1956

Estimated net earnings — Grinnell manufacturing divisions	$15.92
Estimated amount of dividends received from:	
ADT	1.37
American Fire & Holmes	.36
Total reported net earnings	$17.65
*Unconsolidated net earnings of central electric protective services	4.42
Total consolidated net earnings	$22,07

*Not including results of Canadian subsidiaries.

Of the above total, it is estimated that $6.15 per share were accounted for by central service activities.

Including a $1 extra, Grinnell stockholders received a total of $4.00 in dividends during 1956. (ADT paid only $1.50 in dividends of the $4.60 earned in 1956.)

The impressive growth of book value since 1947 is shown:

Book Value—Grinnell
(Net Tangible Assets Available Per Share Common)

1947	$41.40
1956	153.55

NOTE: Not including changes in balance sheets of unconsolidated subsidiaries.

Grinnell is enjoying a double-barreled long-range expansion. Significant growth has been demonstrated in both phases of its business, and, short of a major catastrophe, further consistent expansion would seem to be doubly assured by the sheer weight of a substantial annual increment of earning assets generated from retained earnings. Although the results of this policy are not necessarily attractive to the stock buyer who is primarily interested in immediate income, they should be of great interest to the investor looking for long-term growth of earnings and book value.

The financial community currently appraises the earnings of Grinnell at a low rate, around six times consolidated earnings. The stock is traded in the Over-the-Counter Market and sells around 130. As the growth characteristics and improved quality of earnings become more fully appreciated, the capital stock of this major company will attract a greater following.

Stein Bros. Add

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky.—Yandell R. Smith is with Stein Bros. & Boyce, Starks Building.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	July 21	§81.0	*78.7	85.2	15.3
Equivalent to—					
Steel ingots and castings (net tons)	July 21	§2,073,000	*2,015,000	2,181,000	377,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	July 5	6,952,000	7,189,900	7,337,950	7,085,850
Crude runs to stills—daily average (bbls.)	July 5	¶7,840,000	7,915,000	8,080,000	7,974,000
Gasoline output (bbls.)	July 5	25,876,000	27,339,000	27,966,000	27,736,000
Kerosene output (bbls.)	July 5	1,743,000	1,783,000	2,003,000	2,028,000
Distillate fuel oil output (bbls.)	July 5	12,446,000	12,737,000	12,460,000	12,434,000
Residual fuel oil output (bbls.)	July 5	7,730,000	8,052,000	8,341,000	7,677,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 5	185,920,000	188,523,000	193,565,000	178,549,000
Kerosene (bbls.) at	July 5	28,597,000	28,212,000	26,148,000	26,760,000
Distillate fuel oil (bbls.) at	July 5	119,592,000	114,997,000	101,789,000	98,289,000
Residual fuel oil (bbls.) at	July 5	46,248,000	44,662,000	41,246,000	39,779,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 6	535,334	732,349	733,477	478,297
Revenue freight received from connections (no. of cars)	July 6	523,987	615,406	580,704	523,218
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 11	$325,465,000	$483,609,000	$417,704,000	$657,377,000
Private construction	July 11	111,090,000	210,232,000	174,747,000	437,272,000
Public construction	July 11	214,375,000	273,377,000	242,957,000	220,105,000
State and municipal	July 11	124,359,000	177,365,000	207,924,000	143,067,000
Federal	July 11	90,016,000	96,012,000	35,033,000	77,038,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 6	1,500,000	*9,040,000	10,020,000	1,317,000
Pennsylvania anthracite (tons)	July 6	69,000	690,000	602,000	52,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	July 6	94	107	125	90
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 13	11,964,000	11,056,000	11,958,000	10,878,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	July 11	256	190	265	251
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 9	5.967c	5.670c	5.670c	5.179c
Pig iron (per gross ton)	July 9	$64.76	$64.56	$64.56	$60.61
Scrap steel (per gross ton)	July 9	$54.50	$54.50	$54.83	$44.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 10	28.775c	28.800c	31.375c	39.225c
Export refinery at	July 10	27.350c	26.250c	28.625c	34.975c
Lead (New York) at	July 10	14.000c	14.000c	15.000c	16.000c
Lead (St. Louis) at	July 10	13.800c	13.800c	14.800c	15.800c
‡Zinc (delivered) at	July 10	10.500c	10.500c	11.500c	14.000c
Zinc (East St. Louis) at	July 10	10.000c	10.000c	11.000c	13.500c
Aluminum (primary pig, 99%) at	July 10	25.000c	25.000c	25.000c	24.000c
Straits tin (New York) at	July 10	96.750c	97.875c	98.375c	95.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 16	87.11	87.50	87.24	94.22
Average corporate	July 16	92.35	92.64	93.82	104.31
Aaa	July 16	96.54	96.38	97.62	108.16
Aa	July 16	94.56	95.16	96.38	106.21
A	July 16	93.23	93.82	94.71	103.97
Baa	July 16	85.85	85.85	87.18	99.36
Railroad Group	July 16	90.34	90.77	92.35	102.80
Public Utilities Group	July 16	93.23	93.67	95.16	104.48
Industrials Group	July 16	93.52	93.67	93.97	105.69
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 16	3.61	3.58	3.58	2.95
Average corporate	July 16	4.25	4.23	4.15	3.49
Aaa	July 16	3.97	3.98	3.90	3.27
Aa	July 16	4.10	4.06	3.98	3.38
A	July 16	4.19	4.15	4.09	3.51
Baa	July 16	4.72	4.72	4.62	3.73
Railroad Group	July 16	4.39	4.36	4.25	3.58
Public Utilities Group	July 16	4.19	4.16	4.06	3.48
Industrials Group	July 16	4.17	4.16	4.14	3.41
MOODY'S COMMODITY INDEX	July 16	428.3	426.1	425.7	412.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 6	238,939	270,298	323,485	273,007
Production (tons)	July 6	158,025	272,591	263,469	178,617
Percentage of activity	July 6	54	92	86	56
Unfilled orders (tons) at end of period	July 6	446,373	370,740	455,338	512,197
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	July 12	110.22	110.18	110.33	108.93
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	June 22	1,544,090	1,955,570	1,522,200	1,111,680
Short sales	June 22	277,620	344,190	302,960	183,410
Other sales	June 22	1,228,100	1,687,310	1,227,510	839,360
Total sales	June 22	1,505,720	2,031,500	1,530,470	1,022,770
Other transactions initiated on the floor—					
Total purchases	June 22	253,850	430,790	271,780	233,870
Short sales	June 22	20,300	24,800	14,700	13,500
Other sales	June 22	268,600	394,930	296,880	221,450
Total sales	June 22	288,900	419,730	311,580	234,950
Other transactions initiated off the floor—					
Total purchases	June 22	562,635	611,225	543,230	435,800
Short sales	June 22	93,460	124,640	104,960	71,530
Other sales	June 22	641,606	690,795	510,680	477,374
Total sales	June 22	735,066	815,435	615,640	548,904
Total round-lot transactions for account of members—					
Total purchases	June 22	2,360,575	2,997,585	2,337,210	1,781,350
Short sales	June 22	391,380	493,630	422,620	268,440
Other sales	June 22	2,138,306	2,773,035	2,035,070	1,538,184
Total sales	June 22	2,529,686	3,266,665	[illegible]	[illegible]
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	June 22	1,321,026	1,499,134	1,279,631	895,964
Dollar value	June 22	$71,218,077	$82,069,610	$67,445,684	$47,241,503
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	June 22	1,099,282	1,284,529	1,184,497	812,134
Customers' short sales	June 22	8,895	7,924	8,674	2,837
Customers' other sales	June 22	1,090,387	1,276,605	1,175,823	809,297
Dollar value	June 22	$57,518,196	$65,663,329	$59,018,009	$40,563,965
Round-lot sales by dealers—					
Number of shares—Total sales	June 22	297,550	341,980	353,590	209,510
Short sales	June 22	------	------	------	------
Other sales	June 22	297,550	341,980	353,590	209,510
Round-lot purchases by dealers—					
Number of shares	June 22	469,070	547,810	430,160	327,240
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	June 22	465,770	564,120	547,570	307,080
Other sales	June 22	10,968,610	13,337,630	11,432,460	8,201,790
Total sales	June 22	11,434,380	13,901,750	11,940,030	8,508,870
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	July 9	117.8	117.4	117.5	114.1
Farm products	July 9	91.5	90.4	90.9	90.4
Processed foods	July 9	106.6	105.7	106.3	102.6
Meats	July 9	97.1	93.1	96.5	81.7
All commodities other than farm and foods	July 9	125.5	125.4	125.3	121.4

*Revised figure. ¶Includes 1,191,000 barrels of foreign crude runs. §Based on new annual capacity of 133,495,150 tons as of Jan. 1, 1957, as against Jan. 1, 1956 basis of 128,363,090 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of May (in millions):			
Total new construction	$4,032	$3,641	$3,962
Private construction	2,803	2,579	2,839
Residential buildings (nonfarm)	1,405	1,300	1,539
New dwelling units	995	940	1,150
Additions and alterations	373	326	352
Nonhousekeeping	37	34	37
Nonresidential buildings	747	713	706
Industrial	270	271	253
Commercial	287	263	295
Office buildings and warehouses	146	135	131
Stores, restaurants, and garages	141	128	164
Other nonresidential building	190	179	158
Religious	68	64	56
Educational	40	39	42
Hospital and institutional	40	38	24
Social and recreational	24	23	21
Miscellaneous	18	15	15
Farm construction	140	119	143
Public utilities	493	432	441
Railroad	38	37	38
Telephone and telegraph	101	88	97
Other public utilities	354	307	306
All other private	18	15	10
Public construction	1,229	1,062	1,123
Residential buildings	35	34	22
Nonresidential buildings	387	374	334
Industrial	43	41	32
Educational	236	233	216
Hospital and institutional	33	31	24
Administrative and service	38	36	29
Other nonresidential building	37	33	33
Military facilities	105	95	116
Highways	455	335	427
Sewer and water systems	117	113	109
Sewer	64	63	60
Water	53	50	49
Public service enterprises	35	30	34
Conservation and development	82	70	72
All other public	13	11	9
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of April (millions of dollars):			
Manufacturing	$52.500	*$52.300	$48,000
Wholesale	13,000	13.100	12,600
Retail	23,700	23,700	23,900
Total	$89.200	*$89,100	$84,500
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of May:			
Contracts closed (tonnage)—estimated	291,750	360,351	358,271
Shipments (tonnage)—estimated	329,626	313,591	306,223
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of April:			
Death benefits	$221,800,000	$223,800,000	$205,500,000
Matured endowments	63,500,000	68,500,000	53,600,000
Disability payments	9,800,000	10,000,000	9,700,000
Annuity payments	44,100,000	45,800,000	41,600,000
Surrender values	110,600,000	108,300,000	85,200,000
Policy dividends	104,700,000	119,400,000	83,900,000
Total	$560,800,000	$575,800,000	$479,500,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of April (000,000's omitted):			
Ordinary	$3,748	$3,857	$2,829
Industrial	536	549	512
Group	1,469	1,118	847
Total	$5,753	$5,524	$4,188
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE)—NEW SERIES—Month of April (million of dollars):			
Inventories—			
Durables	$30.587	*$30,388	$27,723
Nondurables	21.895	*21,875	20,235
Total	$52,482	*$52,263	$47,958
Sales	28,549	*28,770	27,231
NEW YORK STOCK EXCHANGE—As of May 31 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$2,833,264	$2,820,197	$2,847,308
Credit extended to customers	39,059	27,802	37,715
Cash on hand and in banks in U. S.	319,579	318,625	337,406
Total of customers' free credit balances	817,190	807,352	869,672
Market value of listed shares	228,584,529	221,595,121	211,896,052
Member value of listed bonds	100,060,628	100,657,111	104,115,390
Member borrowings on U. S. Govt. issues	75,512	67,583	70,122
Member borrowings on other collateral	2,211,152	2,204,675	2,371,587
NONFARM REAL ESTATE FORECLOSURES—FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION—Month of March	2,921	2,473	2,615
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of May (in billions):			
Total personal income	$340.4	$339.3	$322.8
Wage and salary receipts, total	234.7	*234.9	223.2
Commodity producing industries	101.6	*102.2	96.8
Distributing industries	62.1	*61.8	59.1
Service industries	31.7	31.7	29.8
Government	39.3	*39.2	37.2
Less employees' contribution for special insurance	6.7	6.7	5.8
Other labor income	7.6	7.5	7.2
Proprietors and rental income	51.7	*51.6	50.1
Personal interest income and dividends	31.3	31.1	29.4
Total transfer payments	21.8	20.9	18.7
Total nonagricultural income	325.1	324.0	307.6
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1914 = 100—As of May 15:			
All farm products	243	*242	*240
Crops	244	*242	*249
Commercial vegetables, fresh	315	*2[illegible]4	*259
Cotton	266	258	270
Feed, grains and hay	179	180	192
Food grains	225	233	226
Fruit	228	237	*227
Oil-bearing crops	263	264	265
Potatoes	156	145	*263
Tobacco	457	459	454
Livestock	241	242	*232
Dairy products	248	253	247
Meat animals	278	275	*250
Poultry and eggs	144	150	178
Wool	310	286	*233

Continued from page 6

Long-Range Business Effects of The Suez Crisis: Here and Abroad

rope may grow by 17% in the five years to 1960. With this 17% expansion in output, they foresee a 20% increase in primary energy requirements, and a 50% increase in net imports of crude oil and products, most of which must come from the Middle East.

These ascending percentages—from output, to energy supplies, to petroleum supplies, to Middle Eastern petroleum supplies—are common to all the forecasts I have seen for the next decade, and are consistent with several decades of past experience.

The phenomenon is not limited to Western Europe. The petroleum experts of the Chase Manhattan Bank made a careful forecast last year of the growth of the world petroleum industry from 1955 to 1965. They foresaw for the United States in this decade a 50% growth in petroleum demand and a 250% growth in U. S. net petroleum imports, to 3 million barrels a day. Mr. Walter Levy in a recent article estimates that one-fourth of these imports—about 800 thousand barrels a day—will have to come from the Middle East.

The Chase Bank people foresaw an increase of more than 150% in Middle Eastern petroleum output in a decade, compared with only 20 to 40% in the United States and Venezuela. Both for the United States and for Western Europe, oil imports from the Middle East should more than double in this period. And, of course, the Middle East provides most of the oil used east of Suez, where energy demands are also increasing.

Heavy and growing dependence on Middle Eastern oil rests upon solid facts of geology and dollars and cents. The Middle East holds 70% of the free world's petroleum reserves, although it presently accounts for only one-fourth of the free world's production. Finding and developing crude oil has been very much cheaper there than anywhere else, and costs elsewhere have been rising.

Thus, growing dependence of the West on Middle Eastern oil is inescapable for some years to come. For the longer-run, however, developments underway even before the Suez crisis will tend to reduce this dependence and to minimize Western vulnerability to interruption of the oil flow. These changes have been accelerated by the crisis.

First of all, increasing stress is being placed on developing sources of energy other than petroleum. Coal—which still provides about 45% of the world's energy—is receiving increasing attention in Europe. Coal output cannot be increased very fast, however. The OEEC estimates that West European coal production can be raised 5% in 5 years if annual investment in this sector averages 25% above the 1955 level, and programs of this magnitude are in hand.

Meanwhile, Europe is importing more coal from us. 14% of United States coal production was exported last year, compared with about 3% prior to World War II. The recent export expansion has been important in pushing our coal output back up toward the 1951 peak.

Nuclear power offers exciting possibilities for the longer-term future, and it is here that the Suez crisis may ultimately have its largest business effects.

Britain recently tripled its initial plans for nuclear power and now expects to be generating 6 million kilowatts, or 15% of her electricity requirements, from nuclear facilities by 1965. On the Continent, a nuclear power program recently proposed for Germany, France, Italy, and the Benelux countries, calls for nuclear generation of 15% of their electricity requirements by 1967. This latter program aims at stopping the rise in these countries' fuel imports after 1963, although such imports will nearly double between now and then. The scope and timing of the European nuclear energy programs have undoubtedly been influenced by the Suez crisis.

In the United States, nuclear power will develop more slowly, relative to our total energy requirements, since we can obtain coal and oil more cheaply than Europe. But meanwhile, we shall be receiving orders from abroad for nuclear power equipment.

Another trend which the Suez crisis has accelerated is the development of petroleum supplies outside the Middle East. The President of Standard Oil of New Jersey, in noting this last April, mentioned Turkey, North Africa, the Caribbean, Venezuela, Colombia, and Peru as areas which might help provide a greater diversity of supply sources.

A final area in which trends have been accelerated by the Suez crisis is in the provision of additional and alternative means of oil transport. There has been a tremendous flood of orders for new tankers. The world order book for tankers doubled between June, 1956 and March this year, and is now approaching 90% of the existing world tanker fleet at the beginning of this year. Most of the tankers on order are for delivery within five years. There has developed a sharp trend toward super-tankers designed for economic operation around the Cape of Good Hope rather than through the Suez Canal. There are now only about a dozen super-tankers of over 40,000 tons, but there are likely to be about 300 of them by 1965. New tanker orders have put an additional strain on capacity to produce heavy steel plate here and abroad.

Although the expansion of the tanker fleet will tend to reduce dependence on the Suez Canal and to reduce the need for additional pipelines, expansion of the Canal's capacity and of pipeline facilities will still be needed. For new pipelines, the Suez crisis has meant a reexamination of prospective routes. At present, a group of international companies are preparing plans for up to 1,500 miles of pipeline from the Persian Gulf to the Mediterranean through Iraq and Turkey, with a capacity greater than that of all the existing pipelines combined. Expansion of the Suez Canal will now depend on Egypt rather than on the Suez Canal Company and, although Egypt has announced expansion plans similar to those of the Company, it may be doubted that development will be quite as rapid during the next few years as it might have been.

The trends I have outlined were speeded up by the Suez crisis because it dramatized the growing dependence of the West on Middle Eastern oil and reminded us—in case we had forgotten the interruption of Iranian oil supplies six years ago—that while the Middle East desperately needs order as it struggles to leap the centuries, there are likely to be occasional disorders along the way.

But we ought not to forget that a hundred million residents of the Middle Eastern countries also have a large and growing interest in selling oil to the West or participating in its transport. For most of these people, laboring in abject poverty, that interest is not yet tangible or clearly apprehended. But some governments in the area are working to make it so.

Iran, for example, gets 50% of its budget revenue from oil and devotes 60% of this to economic development projects. For Iraq the corresponding figures are 60 and 70%, and huge irrigation projects recently completed are already beginning to spread the benefits of oil to a growing number of the Iraqi people. Little Kuwait, the largest oil producer of them all though it has only 200 thousand inhabitants, is entirely built on oil, apparently literally as well as figuratively.

Right after the Canal and the pipelines were blocked last November, oil production dropped 40% in the Middle East as a whole, and as much as 70% in Iraq. One indication that this cutback hurt was the fact that both Iraq and Saudi Arabia sought and obtained loans from oil companies operating in their territories. The governments of both these countries, and of Iran, have for some time clearly understood the advantages of a steady flow of oil to the West.

Canal dues in Egypt and pipelines revenues in Syria yield much smaller sums, but cessation of those incomes last November caused real foreign exchange difficulties for these oil-transporting countries. In the long run, we may hope that such economic interests may override more divisive and short-range political ones.

Conclusion

Let me summarize now what seem to me the long-range business effects of the Suez crisis. First, it has speeded up a number of trends which were already evident before. Greater stress will now be placed upon developing energy sources other than petroleum, particularly nuclear power but also coal. Greater stress will now be placed upon developing petroleum production in foreign countries outside the Middle East. And while the enormous expansion in production and transport of Middle Eastern oil must continue, there will be a greater concentration upon tankers, especially super-tankers; pipeline construction may for a time favor safer routes like that through Turkey. The capacity of the Suez Canal will still need to be increased, but it may not be expanded as rapidly as it might otherwise have been.

All these developments probably add up to somewhat greater total investment in energy during the coming decade than we might otherwise have had, and there may be somewhat stronger upward pressure on fuel prices than there would otherwise have been.

Some political trends have been accelerated, too. These include the implementation of the European community idea, through the Common Market, the Free Trade Area, and Euratom. They include also a larger, more conscious involvement of the United States in Middle Eastern affairs.

But nothing has happened either to reduce our present dependence upon Middle Eastern oil, or to alter the fact that during the coming decade we shall become increasingly dependent on Middle Eastern oil. Therefore, by far the greatest effect of the Suez crisis has been to increase our awareness of the shadow which potential difficulties in that area cast upon the future growth prospects of the Western world. Whether, in addition to increasing our awareness, the Suez crisis has also darkened or lightened the shadow itself seems to me still uncertain.

With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — James B. Kennedy is now connected with Harris, Upham & Co., 523 West Sixth Street.

Associated Investors

CARLE PLACE, N. Y.—Arthur Pandelogiou is engaging in a securities business from offices at 22 Midtown Road under the firm name of Associated Investors Services.

Form Penn-Texas Secs.

DALLAS, Texas — Penn-Texas Securities Company is engaging in a securities business from offices at 1165 Parkcrest Drive. James J. Ortasic is a principal of the firm.

Schmitter Co. Opens

KENSINGTON, Maryland—Lyle Schmitter & Co. has been formed with offices at 4021 Franklin Street, to engage in a securities business.

Forms Empire Mutual

BROOKLYN, N. Y. — Arthur Primack is conducting a securities business from offices at 44 Court Street under the firm name of Empire Mutual Funds.

Norman Weisman Opens

Norman J. Weisman is engaging in a securities business from offices at 1 East 47th Street, New York City.

Form Economic Planning

Economic Planning Corp. is engaging in a securities business from offices at 521 Fifth Avenue, New York City.

Form Haitian American

Haitian American Dealers, Inc. has been formed with offices at 2350 Broadway, New York City, to engage in a securities business.

Ketchel Opens Office

Hyman Ketchel has opened offices at 220 Broadway, New York City, to engage in a securities business.

Robert Merriman Opens

Robert Merriman is conducting a securities business from offices at 47 West Sixty-Eighth Street, New York City.

Myron Lomasney Opens

Myron A. Lomasney has formed Myron A. Lomasney & Co. with offices at 39 Broadway, New York City, to engage in a securities business.

Joseph Reed Opens

FLUSHING, N. Y. — Joseph M. Reed is engaging in a securities business from offices at 76-28 Springfield Boulevard.

Arthur Blaicher

Arthur A. Blaicher passed away July 10 at the age of 72. Mr. Blaicher had been associated with Coggeshall & Hicks since 1943, and prior thereto had been a partner in Marshall, Campbell & Co.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Before the Civil War six out of ten of the working force in the United States were tilling the soil. Today only one out of ten are farm workers, with the other nine employed in industry and the services.

Only 13.5% of the people in this country are living on the farms. Some of the agricultural states, like Iowa, are likely to lose a Congressional seat after the 1960 decennial census, just as some did in 1950, because the population growth did not keep up with the national average.

Despite the great shift of families from rural communities to industrial centers and urban life, agriculture is and will continue to be a tremendous factor in the Nation's economy. The reason is simple, because the families now living in the country are going to produce food and fibre for the growing population.

Wooing the Farmer

A year ago both major political parties in speech-making and party platforms were seeking to capture the farm vote. They pointed to the plight of the dwindling farm income and the plight of the more than 1,000,000 low-income farm families. Each party made broad promises.

A series of agricultural bills are pending. Meantime, the farm surplus disposal bill has passed both the House and Senate and is ready to go to the White House for the President's signature. It provides for the extension of the Agricultural Trade Development and Assistance Act of 1954, until June 30, 1958.

Other provisions include increasing from $3 billion to $4 billion the value of surplus commodities that can be sold to friendly nations for their currencies. The measure also increases from $500 million to $800 million the value of surpluses that may be used for foreign relief grants.

Record Food Donations

The farm surplus disposal program reached record proportions for the fiscal year ended June 30. To recipients here and abroad a total of 2,818,400 pounds of food were donated during the year. Foreign distribution rose 45% over the same period a year ago. The biggest domestic increases were made in distribution of surplus commodities for use in the school lunch program.

A total of 426,300,000 pounds of food was distributed for the school lunch program and to charitable institutions in all 48 States, the District of Columbia, and five Territories.

"Soil Bank" Continued

The Soil Bank program is going to be continued at least through next year's crop. The House and Senate passed legislation (the Senate still must approve a conference report) provides a $500 million authorization for acreage reserve payments in 1958.

True, D. Morse, Under Secretary of Agriculture, sums up the major objectives of the Soil Bank as follows: Reduce the amount of surplus farm crops into government warehouses while the Department sells, barters and aids the need with stocks on hand; maintain net farm income while farmers make crop production changes postponed after World War II because of wartime price incentives for high production were kept in effect; and, conservation of soil, water, trees and wildlife for the growing population.

Farms have grown larger and fewer with mechanization, but the production has been climbing. Therefore, it generally agreed that it is still too early to determine the full effect of the Soil Bank on surplus reduction and long-range land use adjustment.

Under the 1957 program the farmers put about 12,800,000 acres of wheat, 5,200,000 acres of corn, 3,000,000 acres of upland cotton, and 80,000 acres of tobacco land in the program.

The national average payments per acre for the 1957 program will be about $18.07 for wheat, $37.17 for corn, $50.80 for cotton, $64 for rice and $231.39 for tobacco.

More than 28,000,000 acres are now in the Soil Bank, and more than 21,000,000 in the Acreage Reserve, plus more than 6,500,000 in the Conservation Reserve.

Previous Failure

The old basic farm legislation enacted during the depression year of 1933 sought to control production with acreage allotments in order to achieve a high level of price support. The law did not work out.

The facts are farmers selected their best lands, fertilized heavily and adopted all approved practices. As a result farm surplus stockpiles have been increasing along with increased costs.

Furthermore, the facts are that neither Congress nor the Department of Agriculture nor the farmers themselves appear to be nearer toward a permanent solution of surplus commodities and other farm problems after a quarter of a century of acreage allotments.

Meanwhile, as farm ills were being explained and discussed in private circles, economists in the government were pointing out that no nation has ever prospered under scarcity. Therefore, they insisted that for the general welfare of the United States it was far getter to have a great abundance of foods and other products. It has been said many times that about half of the World's population goes to bed each night with some hunger pains.

The House agriculture appropriation bill (the Farm Surplus Disposal bill is different) provides $3,666,543,747 in fiscal 1958. The Senate was expected to approve the report and release it to the White House for President Eisenhower's signature.

High Cost of CCC

As of July 1 the price support program of the Commodity Credit Corporation totalled $7.6 billion. This included both loans and inventories. Corn, wheat, cotton and tobacco constituted 87% of the value of all commodities under loan and in CCC inventories.

About three billion bushels of corn is produced annually in the United States. CCC loans and inventories on July 1 amounted to nearly half of a year's production. Annual wheat production is about one billion bushels. CCC loans and inventories on July 1 amounted to 85% of a year's production. Cotton production in 1956 totalled 13.3 bales. As of July 1 loans and inventories were considerably lower than a year ago.

The cotton carry-over on Aug. 1 is expected to total 11.6 million bales, or about three million bales less than a year ago. About 7.7 million bales of cotton have been sold by the Commodity Credit Corporation abroad during the current cotton year. Domestic mill production is expected to account for 8.3 million bales.

This means that there is presently a good demand for cotton, and there are forecasts in Congressional circles that there will be a good market for American cotton abroad during the next twelve months.

Limit "Soil Bank" Payments

Several Democratic Congressmen have written letters to the White House and Secretary of Agriculture Ezra Taft Benson calling attention to some asserted Soil Bank abuses that have resulted in Arizona and other Western States. For instance, the records show that one large farmer will receive more than $200,000 from the Soil Bank this year for not planting cotton. In 1956 a Kansas-Colorado wheat farming corporation received $61,354 and others received $50,000 checks for not growing wheat.

Under the new agriculture appropriation bill, the amount a farmer could receive in Soil Bank payments for 1958 would be limited to $3,000.

Competing With the South

The Old South used to produce practically all the cotton in the United States. With price supports and changing times, the Western States with their irrigations systems are now high in the production picture. Cotton can be produced under the irrigation in competition with the Southern States.

The cotton yield per acre for the Southeastern States last year averaged 359 pounds, Texas-Oklahoma area 269 pounds, Delta States (Mississippi, Arkansas, Louisiana), 499 pounds, and the Western States with irrigation, 957 pounds.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ

"I'm afraid a ten thousand dollar investment is just a wee bit high for me — do you have anything a trifle lower — say for about two dollars and fifty cents?"

COMING EVENTS

In Investment Field

Aug. 1-2, 1957 (Denver, Colo.)
Bond Club of Denver-Rocky Mountain Group of IBA annual summer frolic and golf tournament at the Columbine Country Club.

Sept. 25-27, 1957 (Santa Barbara, Cal.)
Investment Bankers Association Fall Meeting at Santa Barbara Biltmore.

Oct. 7-8, 1957 (San Francisco, Cal.)
Association of Stock Exchange Firms Board of Governors meeting at Mark Hopkins Hotel.

Oct. 10, 1957 (Omaha, Neb.)
Nebraska Investment Bankers Association annual frolic and field day at the Happy Hollow Country Club (to be preceded by a cocktail party, Oct. 9 at the Omaha Club).

Oct. 10-11, 1957 (Los Angeles, Calif.)
Association of Stock Exchange Firms Board of Governors meeting at Beverly Hills Hotel.

Nov. 3-6, 1957 (Hot Springs, Va.)
National Security Traders Association Annual Convention at the Homestead.

Dec. 1-6, 1957 (Hollywood Beach, Fla.)
Investment Bankers Association Annual Convention at Hollywood Beach Hotel.

April 23-25, 1958 (Houston, Tex.)
Texas Group Investment Bankers Association annual meeting at the Shamrock Hotel.